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ABSTRACT

Transition to a market economy in Lithuania has changed the labor market significantly. The employment rate has decreased in all age groups and resulted in increased productivity of labor. Employment in the private sector and self employment have increased considerably. The share of those employed in agriculture has increased. The worst employment situation is in territories with large rural areas, where employment has decreased and unemployment has risen. Youth unemployment is a major problem. The share of unemployed individuals with professions not in demand is growing. Specialists in new professions or with advanced vocational skills are in great demand. The majority of the unemployed have no professional qualifications. Analysis of the links between vocational education and training and the labor market reveals difficulties such as the following four problems: (1) the courses offered do not correspond to labor demand; (2) employers are very often dissatisfied with the training quality; (3) mobility of the labor force is low; and (4) the state does not pay enough attention to development of continuing vocational training. With fewer allocated funds, active labor market policy measures suffer the most. Also, labor market policies are not an integrated part of the policy of national economic development. (Appendixes include supplementary tables and information by chapter. Contains 28 references.) (YLB)

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Background study on employment and labour market in Lithuania

by
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The European Training Foundation is an agency of the European Union which works in the field of vocational education and training in Central and Eastern Europe, the New Independent States, Mongolia and the Mediterranean partner countries and territories. The Foundation also provides technical assistance to the European Commission for the Tempus Programme.

Foreword

This study is part of the preparations for the accession of Lithuania to the European Union. It gives a factual description to provide a basis for an evaluation of labour market and employment policies, and also identifies key issues in this area to be addressed in the pre-accession process. The study provides a background for the employment reviews prepared by the Employment and Social Affairs DG of the European Commission and has been written under the supervision of this DG and the European Training Foundation.

The study was written according to the terms of reference provided by the Employment and Social Affairs DG and the European Training Foundation, and an outline and guidelines provided by the EU advisers: Susanne Oxenstierna, Stocknolm University, and, especially for Chapter 6, Japp de Koning, Netherlands Economic Institute. The drafts of the report were discussed at two of three workshops during spring 1999 in which the national experts from the Central and East European Countries writing the corresponding background studies for their countries participated. Language editing was done by Mr Timothy Chamberlain of Chamberlain Language Services, Stockholm.

Vilnius, October 1999

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Executive Summary

Political and social changes in Lithuania and the transition towards a market economy have had a very great influence on employment and on the situation in the labour market and have consequently made it necessary to reform the vocational education and training system, i.e. to adapt it to free market conditions. From 1990 onwards, employment in Lithuania has been developing under very complicated conditions. On the one hand, there have been political and social changes, on the other hand, the restructuring of the economy. There have been significant changes not only in economic priorities, the range and scope of production, the flow of goods and raw materials, instruments, equipment and materials, but also, at the same time, in the status of individuals in the labour market. From the beginning of the transformation, Lithuania has aimed to liberalise industrial relations, increase the independence of the employers and employees, and reduce the influence of public administration. However, many workers were not prepared either directly or through trade unions, to represent their own interests when forming relationships with their employers. For this reason, hidden employment emerged and the number of labour conflicts increased, especially in the sphere of payment for work.

The transition process has not been easy in Lithuania. The period 1992-93 was the hardest. In 1992 inflation was 1012% and the yearly change in GDP was -21.3%. In 1994 the situation began to stabilise and in 1995 GDP started to increase, while employment stabilised and inflation decreased significantly. The positive improvements in the Lithuanian economy have become obvious, especially in 1997 and 1998.

Low purchasing power

During the period 1993-98, different governments in Lithuania gave wage policy priority to groups in the population earning low incomes. The growth of minimum wages and unemployment benefits significantly exceeded the growth of average wages and other payments during the period 1995-97. Because of this wage policy, differences between the highest and the lowest incomes have diminished. Average net earnings per month in Lithuania were only USD 180 in 1998. The low purchasing power (especially that of the rural population and those employed in agriculture) and the state budget deficit have a negative impact on aggregate demand.

Beginning in 1990, the population growth rate began to slow down and in 1992 the population started to decrease due to the re-emigration of part of the population to the Commonwealth of Independent States. In 1994, the demographic situation deteriorated still further: the number of deaths exceeded the number of births. The difference between male and female life expectancy increased from 9.9 to 12.1 years in the period 1979-94. In 1997 male life expectancy was 65.9 and female 76.8 years.

The transition has changed the labour market in Lithuania significantly. Over-employment was a common feature for the Soviet economy, but during the transition period total employment has decreased significantly (by about 250 000). This has resulted in increased productivity of labour. Employment in the private sector and self-employment have increased considerably.

Since 1989, the employment rate has decreased in all age groups, though the intensity of the decrease differs between different groups. The general employment rate has decreased most in the 20-24 and 30-34 age groups, though the changes in male and female employment rates are different in separate age groups. The female employment rate decreased more than the male employment rate in the 14-19 age group and the 30-34 age group. The male employment rate decreased more significantly in the 45-49 and 50-54 age groups.

Increases in rural employment and regional differences

While total employment has decreased, the share of those employed in agriculture has increased. In Lithuania, part of the land was distributed free of charge (in 2-3 hectare lots) to those who were employed in agriculture. Given the economic difficulties from 1991 to 1993, many people chose to be employed in agriculture rather than to be unemployed. Employment in agriculture is mostly attractive for people over 40 years of age. Almost one quarter of the farmers are above 60 years of old. Only 5% of farmers are under 30 years of age. However, farms are not large. The average area of a farm varies from 10 hectares in Vilnius Province to 17 hectares in Siauliai Province. The main problem is that the farmers lack special education, equipment and machinery, seed of good quality, fertilisers and purchase guarantees for their production.

Although the population in Lithuania is distributed homogeneously all over the country and all regions are connected by the road network, during the transition period a major territorial differentiation of employment and unemployment has arisen. The worst situation is in territories where there are large rural areas. In these regions, employment has decreased and unemployment increased significantly. During the last five years, the unemployment level in these regions has significantly exceeded the average unemployment level in the country. Agricultural regions could be the main target in Lithuania's collaboration with the European Structural Funds. These territories have experienced the largest decreases in production opportunities, the least investment activity, and the most significant decrease in living standards and vocational training opportunities. Despite the regional differences there is no clearly defined regional policy in Lithuania. At the level of the Ministries (of Economics, Agriculture, Social Security and Labour) different measures are being applied, but they are not coordinated.

Hidden employment

The slackening of financial and labour controls during the transition period has had an impact on the emergence of hidden employment, where part of the employed population does not pay taxes and social insurance contributions. This is especially common among the rural population with low incomes. The rate of hidden employment decreased between 1997 and 1998, primarily as a result of improvements in financial and labour supervision.

Unemployment

Unemployment according to Labour Force Survey (LFS) data is twice as high as the unemployment rate reported by the labour offices (12.6% versus 6.9%, in 1998). Youth unemployment is a major problem according to both sources. The share of unemployed individuals with professions that are not in demand is growing. Specialists in new professions or with advanced vocational skills are in great demand. It is important to note that the majority of the unemployed have no professional qualifications. The lack of motivation and social status are the main obstacles to acquiring professional qualifications. Since 1994, social inequality has been increasing and the problem of social exclusion has become more and more urgent. For this reason, the state needs to focus on policies and means to improve access to training for different population groups.

It is very hard to find work in regions where the industrial and service infrastructure is poorly developed. According to LFS data, long-term unemployment accounted for 50% of the total number of unemployed in 1998, while the share according to the Employment Service data was 12%. Many of the long-term unemployed have harmful habits (alcohol abuse) and employers do not desire to retain or hire such workers.

VET

The analysis of the links between vocational education and training (VET) and the labour market reveals such problems as: the courses offered do not always correspond to the demand of the market; employers are very often dissatisfied with the quality of training; the mobility of the labour force is low; the transparency of acquired qualifications is not sufficient; the state does not pay enough attention to the development of continuing vocational training (CVT). Thus, the development of occupational and vocational standards, and the certification and quality assurance system for VET and CVT, need to be improved.

Labour market policies

Mechanisms for regulating the labour market and labour policies are fairly well developed in Lithuania, if we take into account the special features of the transition period and the level of economic development. They correspond to international standards and are adapted to the characteristics of the country's development. The legal base for the labour market and the activities of the institutions are being steadily improved, and labour policy programmes are being expanded. New approaches to work with the unemployed and employers are being developed.

At the same time, labour market policy in Lithuania encounters many problems. The Employment Fund receives less and less resources. In these circumstances, active labour market policy measures suffer the most. Also, labour market policies are not an integrated part of the policy of national economic development.

In general it can be assumed that from 1991 to 1999, a transition from a planned to a market economy has been taking place in Lithuania. Some specific features are characteristic of the Lithuanian labour market, but most trends observed in transitional countries as well as in EU countries are also typical of Lithuania. Lithuania is becoming more and more integrated into the common European economy in terms both of economics and of the labour market.

1. Introduction

1.1 *The Objectives of the Study*

The objective of this study is to provide a background analysis for the employment policy reviews prepared by The Employment and Social Affairs DG of the European Commission on the accession countries.

This study describes the current state of Lithuania in terms of the employment situation, the employment policy institutions, employment policy delivery mechanisms and the connection between vocational education and the labour market. It presents factual and descriptive material based on official data sources, such as data published by the Lithuanian Statistic Department, the Ministry of Economics, the Ministry of Social Security and Labour, and the Lithuanian Employment Service.

We analyse the trends in employment, labour force participation and unemployment. We give a detailed description of the wage formation system. We analyse the state of employment policy and its institutions. Especially, we stress that though certain ongoing processes in the field of employment are similar to tendencies in the EU countries, their causes and consequences are different. The background study provides a summary of the key issues which emerge from the analysis. Besides providing a background for the employment policy review, this study tries to identify possible targets for the ESF.

1.2 *Methodology*

In this study the analysis of statistical data was the basic method of work. We analyse the official statistics published in Lithuania on employment-related issues and education. In order to ensure a reliable description of employment policies, we also met members of the public administration responsible for different areas of employment policy (see Chapter 11). We also used publications describing similar processes and tendencies in the EU countries.

The experts who participated in the project were Dr. Boguslavas Gruzevskis and Giedre Beleckiene. Dr. B.Gruzevskis works at the Institute of Labour and Social Research. He has participated in various projects analysing the situation in the Lithuanian labour market for Lithuanian and international institutions (the Ministry of Social Security and Labour, UNDP Lithuania, the World Bank, ILO, UNICEF, ETF, etc.). The following persons have contributed to preparing this work: Dr. Romas Lazutka (Vilnius University), Dr. Gina Pajuodiene, Dr. Arunas Pocius, Dr. Matas Damidavicius, Dr. Brone Cesnaite, Tadas Garmus, Assistant and Laima Okuneviciute, Economist, all of whom work at the Institute of Labour and Social Research. Chapters 2.1, 2.2 and 3.2 were drafted by Dr. G. Pajuodiene and Dr. R. Lazutka. Chapters 3.5, 3.6, 4.1 and 4.2 were drafted by Dr. A. Pocius. Chapters 3.7, 5.1 and 5.4 were drafted by Dr. M. Damidavicius. Chapters 4.3 and 5.3 were drafted by Dr. B. Cesnaite. All these chapters were revised by Dr. B. Gruzevskis. Chapter 6 was prepared by Mrs. G. Beleckiene of the Lithuanian National Observatory.

1.3 Limitations

Due to the incompleteness of the system for collecting statistical data, we often had to verify data and consult specialists in certain institutions and ministries in order to arrive at a correct interpretation of the meanings of particular indicators and their methods of calculation. Such consultations required a great deal of time, and the results were not always satisfactory.

In addition, since 1993, the system for collecting and processing statistical information has been actively reorganised in Lithuania, and many indicators are now calculated according to EUROSTAT methods. However, there are still many information gaps in the statistics on employment and labour market policy. At the same time local statistics (for separate cities and districts) are still very poor in Lithuania. There is little information about wages and earnings.

2. Labour Market Situation in Lithuania

2.1 General Trends

After the restoration of independence, the economy of Lithuania declined considerably. As can be seen in Table 2.1, the decrease in GDP was significant between 1991 and 1994. Employment started to fall in 1992. An upturn in GDP was registered in 1995, but employment began to increase only in 1996. The prevalence of high hidden employment and unemployment weakens the correlation with changes in official macroeconomic variables.

During the process of economic decline, inflation was very high and the standard of living dropped. The national currency, the Litas, was introduced into circulation in 1993. Since 1995 the economy has shown positive growth, and during the last three years, particularly in 1997 and 1998, positive tendencies of recovery are evident.

Table 2.1: Economic Development in Lithuania 1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998
GDP yearly change in %2	-5.7	-21.3	-16.2	-9.8	3.3	4.7	6.1	4.4
Employment-yearly changes (%)	2.4	-2.3	-4.2	-5.8	-1.9	0.9	0.6	-1.2
Productivity of labour yearly changes (%)	-	-	-	-4.3	5.3	3.7	5.5	5.7
Index of real wage (compared to 1993 in %)			100	114.2	117.8	122.6	137.9	155.7
Inflation yearly changes (%)	216.4	1012.0	410.2	72.2	39.6	24.6	8.9	3.3
Registered unemployment yearly changes (%)4	-	363	236	-19	65	13	-16	17
Unemployment (LFS) yearly changes (%)	-	-	-	-	16	28	-19	-9
GDP per capita (USD)	10478	8250	6933	6272	6488	6804	7224	7561
% yearly change of GDP per capita3	-6.2	-21.3	-16.0	-9.5	3.5	4.9	6.2	4.5

Source: [4, 15, 24]. 1 - preliminary data; 2 - as compared to previous period at constant 1995 prices (increase +, decrease - , in %); 3 - as compared to previous period at constant 1995 prices (growth, in %); 4 - Employment service data

To a considerable extent, the fall in employment has been determined by the privatisation process. The privatisation process has stimulated investment activity and enabled labour productivity growth. From 1993 to 1998, the labour productivity rose by 115% in industry and 101% in the agricultural sector. The increase in productivity slowed down in 1997, and in 1998 it was very low (see Table 2.2 above) because of the crisis in Russia. The growth in labour productivity enabled producers in Lithuania to be competitive on the external market and they were able to sell an increasing part of their production to Eastern and Central Europe and to EU countries.

Table 2.2: Structural changes in the Lithuanian economy 1989-1998 (yearly change in %)

	Industrial production, yearly change %	Employment in industry, yearly change %	Labour productivity in industry, yearly change %	Agricultural production, yearly change %	Employment in agriculture, yearly change %	Labour productivity in agriculture, yearly change %
1993	13.5*	457.0**	29.7***	3.8*	399.3**	9.4***
1994	13.5	-17.4	37.4	8.4	-2.3	10.9
1995	30.8	-7.3	41.7	58.7	0.0	58.7
1996	20.0	-4.2	25.3	26.7	2.3	23.8
1997	9.3	0.3	9.0	-2.2	-9.1	7.6
1998	0.1	-1.4	1.5	-1.9	-2.3	0.4

*Source: [4,20,24]; *At current prices in milliard Litas; **Administrative data in thousands; *** in thousands Litas*

Privatisation and the restructuring of the financial sector

The second and third phases of privatisation have been proceeding rather successfully with the privatisation of large strategic objects and enterprises. The privatisation process has a great influence on the transformation of the economy. The development of the service sector has changed the structure of the economy, making it more and more similar to the economic structure in the EU countries.

From the beginning of the transformation on, direct foreign investments have been steadily increasing. In 1997, 2.3 times more was invested than in 1996 and there were 1 123 Litas (USD 281) of foreign investment per capita; in 1998, this indicator increased to 1 553 Litas (about USD 388). However, with respect to the scale of foreign investments, Lithuania is still lagging behind Poland, Estonia and Latvia.

The banking system has been reconstructed and has become noticeably stronger since the crisis in 1995-96, when 4 of 11 major banks collapsed. The capital market is expanding. Public finances are slowly improving. Measures are being taken to reduce the budget deficit, which is, unfortunately, still increasing (Table 2.3).

Table 2.3: Basic Public Finance Indicators in 1994 – 1998 (% of GDP)

	1994	1995	1996	1997	1998
Consolidated national budget					
Revenue	29.9	29.9	28.0	31.2	33.4
Expenditure	32.5	32.0	30.5	32.1	34.9
Financial deficit	2.6	2.2	2.5	0.9	1.5

Source: Ministry of Finance.

Trade

Lithuania pursues a trade liberalisation policy that promotes trade relations and extends the possibilities for the producers in the country to sell their products in foreign markets. The expansion of exports is being stimulated by organisational and economic measures that have already been or will be adopted by the Government (see Table A2.1 in Annex).

In previous years, industrial production was oriented towards the market of the former Soviet republics (CIS). During the first years of transformation, more than half of Lithuania's production was exported to the East (in 1991, as much as 93%). Now the geography of exports and imports is changing, though a large part of Lithuanian exports still goes to the CIS countries (Russia, in particular). However, the share of these countries in Lithuanian imports is decreasing annually. In 1995, goods from the EU started to dominate in Lithuanian imports. Foreign trade with countries in Asia and America has also become more active. Russia, Germany, Belarus, Ukraine, Latvia and Poland are the main partners in Lithuanian foreign trade.

When evaluating transport and storage turnover, it is noticeable that Lithuania has become a country of goods transit. The gross output of this economic activity increased almost three times between 1993 and 1998. Transport and storage made up approximately 8% of the GDP structure in 1998.

2.2 *Wage Structure, Social Security and Taxes*

Wages and salaries

The transition to the market economy required a totally different regulation of labour relations than in the Soviet period, including the regulation of wages. New minimum wages, i.e. minimum monthly earnings and the minimum tariff paid per hour, were established. The wages and salaries of all employees (in the public as well as the private sector; in budgetary organisations and profit-seeking enterprises) cannot be lower than the minimum wage established in the country. There are also regulations for additional payments in cases of a divergence from normal working conditions (e.g. a hazardous working environment).

Employees in budgetary organisations are remunerated monthly. The wage differentials are based on such criteria as the complexity of work, responsibilities, labour conditions, employees' qualifications and labour results. The same rules regulate the wages and salaries of some managers and other employees in the non-budgetary sector (e.g. stock companies with public and municipal shares).

Table 2.4: Average monthly earnings in Lithuania, 1993-1998, Litas and yearly change in %

	1993	1994	1995	1996	1997	1998
Average gross earnings per month , Litas	166.1	325.4	478.9	621.1	785.5	1009.3
Yearly change of average gross earnings %	223.8	95.9	47.2	29.7	26.5	28.5
Average net earnings per month , Litas	127.6	250.9	361.3	468.7	581.2	736.3
Yearly change of average net earnings %	211.2	96.6	44.0	29.7	24.0	26.7
Gross minimum wage, Lt	32.7	56.5	134.6	240.0	374.2	417.5
Yearly change of gross minimum wage %	140.4	72.8	138.2	78.3	55.9	11.6

Source: [6,15,24]; 1998 year data excluding personal enterprises. Note: 4Litas - 1USD

Wages rose much more in 1997 and 1998 than before. While in 1996, the increase was 4.1%, in 1997 it was 12.6%, and in 1998, real wages increased by about 13.1%. Real wages have grown more quickly than GDP in Lithuania. It was decided by Government policy that the main goal was to increase the general standard of living, which had decreased considerably in 1992 to 1993. Yet the experience of Sweden, the Czech Republic and Romania shows that this policy is dangerous and may destabilise the general macroeconomic situation in the country. For 2001 it is foreseen that the share of labour costs in GDP will grow still further. This was 33.8% in 1998, 33.9% is forecast for 1999, and 34.2% for 2001.

Average gross earnings per month in Lithuania have grown a little faster than average net earnings (Table 2.4). Net earnings came to 77% of gross earnings in 1993, the ratio decreased to 75% in 1995, and in 1998 it was 72.9% of gross earnings. During the period 1993-98, different governments in Lithuania attached priority in wage policy to population groups with low incomes. This is why the growth of the minimum wage significantly exceeded the growth of average wages during the period 1995-1997. However the fast growth of the minimum wage has aroused dissatisfaction among employers. The tripartite council has decided to decrease the growth rate of the minimum wage at the beginning of 1999.

Table 2.5: Wage structure in Lithuania, 1993*-1998 (Litas and %)

	1993	1994	1995	1996	1997	1998
Monthly wage in % of total average	**100**	**100**	**100**	**100**	**100**	**100**
Agriculture	52	49	60	61	66	57
Industry	124	104	104	108	105	98
Services						
Min (hotels and restaurants)	76	62	55	61	64	70
Max (financial mediation)	305	310	283	235	209	185

*Source: [6,15,24]; * Till 1993 wages were distributed not by activity but by branch. That is why data by activity are presented only from 1993;* [1] ***1998 year data excluding personal enterprises.***

There are great wage differentials between the major sectors of the economy. However, they have been slightly reduced (Table 2.5). The main problem is the low disposable incomes of agricultural employees. Although the productivity of labour in agriculture is growing, wages are still much lower than the average in the country. Low incomes restrict both consumption on the part of the rural population and the expansion of services. They have a direct impact on the vocational training of rural youth, who are unable to study far from their place of residence and to pay for education.

Private sector

According to statistical data, gross wages in the public sector are 20-25% higher than in the private sector. However, a survey carried out by the Institute of Labour and Social Research during the period 1995-96 showed that 65% of those employed in the private sector did not declare all the earnings they received from their work. In many small and medium-size enterprises (especially in trade and construction), only the minimum wage is recorded and wages received in excess of this are not declared.

Table 2.6: Public and private gross wages and salaries in 1994 - 1997 (in Litas and %)

	1994	1995	1996	1997
In the national economy	325.4	478.9	621.1	774.4
Public sector	371.0	532.2	683.3	851.9
Private sector	284.9	432.5	566.1	705.8
Private sector compared to public, %	76.8	81.3	82.8	82.9

Source: [24]

For this reason, one can say that real wages and salaries in the private sector are 25-30% higher than official statistics show.

The gender wage gap

There are quite substantial differences in the wages and salaries of women and men. In October 1994, women's wages and salaries were 84% of the country's average and only 71% of the wages and salaries paid to men; in 1997, these figures were 85% and 74%, respectively (Table 2.7). A rather small number of women are in leading posts, despite the fact that women dominate among college and university graduates. The Law on Equal Opportunities for Women and Men was passed in December 1998. It was believed that this Law would have a positive influence on the female situation in the labour market. However, a survey by Vilnius University, carried out during April and May 1999, showed that the Law has so far had a very low impact upon the opportunities for men and women on the labour market. At the time of the survey, only 10% of women and 3% of men had been informed about the Law's content.

Table 2.7: Gross wage by gender in Lithuania, 1994-1998 (in Litas)

	1994	1995	1996	1997	1998
Men	479.0	619.8	800.4	1067.2	1170.8
Women	338.0	436.0	581.4	787.8	857.9
Female/male wage diff.	0.71	0.70	0.73	0.74	0.73

Source: [24]; 1 1995, July data.2 1998 year data excluding personal enterprises.

Educational earnings differentials

The disposable incomes of workers in Lithuania depend to a considerable extent on their educational level. The earnings of employees with high educational levels are 2.5 times higher than the earnings of employees who have not completed basic schooling. It is mainly advanced education (ISCED 6-7) that has an impact on income size; earnings differentiation between other levels of education (ISCED 5-1) is not so great. Employees with advanced education receive on average about 73% more than college graduates. However, college graduates receive only 35% more than employees who have not completed basic schooling.

Differences in wages and salaries by gender are noticeable in separate groups of employees according to education. The largest difference is between employees with advanced education (men receive on average 33% more). The smallest difference is between employees with incomplete basic schooling (men receive on average 3% more). Female incomes within the group of employees with basic but no vocational education are 3% higher than male.

Taxes

Currently, 20 kinds of taxes, contributions and duties are levied in Lithuania. The ratio of total tax revenue as percentage of GDP illustrates the general tax burden (see Graph 2.1 in Annex) and shows that it is tending to increase. In 1997, 32.9% of GDP was redistributed through taxes.

The ratio of total tax revenue as percentage of GDP in Lithuania is lower than in the EU countries (there, this indicator was 41.8% in 1995). However, we cannot draw the conclusion that the burden of taxes levied on taxpayers in Lithuania is lighter (see Table A2.2 in Annex). We need to bear in mind that GDP per capita is still rather low in Lithuania compared to the EU countries. GDP per capita in Lithuania, as estimated in reference to purchasing power parity, was USD 4 014 in 1995. Thus, this indicator in Lithuania corresponds to about 30% only of the average in the EU.

Various taxes differ in importance for taxable income in the country and for redistributing income. In 1997, 91.1% of total taxable income in the country and GDP redistributed through taxes was covered by five taxes: state social insurance contributions (26.9%), value added tax (26.6%), natural persons' income tax (22.1%), excise duties (10.6%) and legal persons' profit tax (4.9%).

Laws on taxes in Lithuania do not provide for tax privileges directly intended to promote employment and job creation. One privilege indirectly related to employment that we may mention is a provision of the Law on Legal Persons' Profit Tax that profit intended for investments is taxed at a zero rate. Practice shows that investments by companies in the country are mostly related to the acquisition of property, not to the establishment of new jobs.

Municipalities have certain rights in the field of taxes. This applies to taxes that - in total or in part - go to the municipal budgets. Practice shows that municipalities use the rights they are entitled to in the field of taxes in order to promote employment and establish new jobs, besides other goals.

Social insurance

In Lithuania, the state social insurance contributions play a smaller role in taxable income than in the EU countries. In 1997, their share was 26.9% in Lithuania, whereas in the EU countries it was 29.4% in 1995. Indirect taxes play a considerable role in revenue collection. In 1997, indirect taxes contributed 56.2% of total tax revenues (excluding state social insurance contributions), compared with 43.7% in the EU countries in 1995.

Social assistance is provided subject to the level of the family or individual income.

Table 2.8: Pension and Social Benefits (in Litas) 1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998
Average retirement pension, Litas	2.45	21.1	58.2	113.1	160.2	192.4	242.6	287.8
% retirement pension /average (net) wages	41.5	51.5	45.6	45.1	44.3	41.1	42.2	40.1
Sickness benefit2	-	2.9	6.2	12.2	17.1	20.5	56.1	70.6
Foster benefit 3	-	-	-	-	50.7	66.2	80.8	96.1
Social benefit 4	-	-	-	-	38.2	47.3	57.3	66.1
Minimum standard of living, Litas	4.1	7.5	19.2	55.0	69	91	111	123
Funeral benefits	19.5	39.0	54.0	165.0	207	372	533	670

Source: [15,16,18,24]; 1 - preliminary data. 2- average monthly payment during illness. 3 - average monthly payment (in Litas) for families fostering children up to 3 year. 4- average monthly benefit for families, having low income per family member.

Income distribution

According to a Household Income Survey conducted by the Department of Statistics in 1998, the average total disposable income per household member per month reached nearly 390 Litas (about USD 98), and had grown over the year in real terms by 3.2%.

Of particular importance are the positive structural changes in income. There has been a great increase (7.5%) in real monetary income. The increase in real monetary income for rural households far exceeded that of the total increase in income, the figures being about 10% and 2% respectively. Monetary income has increased at the expense of a decrease in in-kind income. This indicates growing "income liquidity" - the monetisation of economic transactions - and deeper economic specialisation.

Another important structural change in household income has been an increase in the proportion of income derived from employment. This proportion grew from 48.9% in 1996 to 52.1 in 1998, while income from self employment activity fell from 18.9% to 15.3%. This is also a progressive trend. Income from sources other than employment is less sustainable and safe because it is more vulnerable to fluctuations on the market, and often it does not provide comprehensive social insurance and social security

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A growth in real income and purchasing power has provided the opportunity for increased consumption. An increase in real income allows not only for an increase in consumption but also for changes in its pattern. A decrease in the proportion of expenditures on food items is universally acknowledged to be an indicator of positive change in the pattern of consumption. Since 1993 the proportion of expenditures on food has been steadily decreasing, particularly during the past 3 years. It fell from 61.7% to 49.2% in 1998, yet it has still not reached the 1991 level.

*Table 2.9: Disposable Income Structure 1991-1998 (%)**

Disposable Income	Year							
	1991	1992	1993	1994	1995	1996	1997	1998**
Income from employment***	67.4	66.9	65.0	70.1	71.4	48.9	52.0	52.1
Income from self employment	...	...	...	...	...	18.9	15.1	15.3
■ income from agriculture	8.4	9.2	10.3	5.9	6.6	12.2	10.7	9.9
■ income from non-farm self employment	...	...	...	...	...	6.1	3.8	4.8
■ income from other activity	...	...	...	...	...	0.6	0.6	0.6
Income from ownership****	0.0	0.1	0.4	0.9	0.5	0.3	1.0	0.2
Income from rent	...	...	...	...	...	0.2	0.1	0.2
Retirement pension	8.6	13.2	11.4	12.1	14.0	11.2	13.1	13.1
Unemployment benefit	...	...	...	...	...	0.3	0.3	0.4
Other benefits*****	7.2	5.2	4.1	2.2	2.2	5.5	6.8	7.9
Other income	8.5	5.4	8.7	8.8	5.4	14.7	11.6	10.9
Total:	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

*Source: [24]; * - In 1991-1995 and 1996-1998 different methods for household budget surveys were applied. This is why data from these surveys are not comparable. ** - Only I and III quarter data are presented for 1998. *** - 1991-1995 - "Wages, business income" **** - 1991-1995m. - "Dividends, percent". ***** - 1991-1995m. - "Benefits"*

Thus the recovery of the economy has resulted in the population consuming more, and there have also been improvements in the pattern of consumption (see Table A 2.3 in Annex).

2.3 *Key Issues*

High employment in agriculture. When the opportunities for employment in industry, construction and transport decreased, people chose to work in agriculture as an alternative to unemployment. The increase of employment in agriculture was induced by the restitution of private land. Yet the productivity of employment in Lithuanian agriculture is very low: people have no technical equipment and do not use intensive technologies. It is mostly older people (40+) who are employed in agriculture. They are distinguished from other groups by their low vocational and territorial mobility. A major problem is that only 1.3% of those employed in agriculture pay social insurance taxes.

Approximately 20% of the economically active population have an *unclear labour market status*; they are unemployed people who are not registered by the employment services and people who are working unofficially in the shadow economy. The unemployment level according to the Labour Force Survey (LFS) is twice as high as the unemployment according to the employment services. Such a situation has been observed since 1994 when LFS began.

There is a large *regional differentiation of economic development* and investment activities between regions in Lithuania. The economy of some regions has stabilised since 1994, and in 1995 the GDP of the whole country increased. The situation in regions that are worse off deteriorated in both 1996 and 1997. In some regions investment fell to USD 850 per citizen, in other regions it is barely USD 50. The regional differentiation of foreign investment is even greater.

Up to now (1999), policies governing *employment* are limited to the Ministry of Social Security and the activities of the National Employment Service, and thus rely exclusively on the implementation of labour market measures. Employment problems are not taken into consideration to the required extent in the general economic development strategy.

The *activity of social partners* is low. Among trade unions and employers, the opinion dominates that solving the problem of unemployment is the task of the Government, and they are very reluctant to take part in the different labour market measures.

The majority (approximately 60%) of the unemployed persons who are registered at the employment services are persons *"not prepared for the labour market"*, i.e. unemployed persons without vocational training as well as persons returning to the labour market after a long spell - more than 12 months - of unemployment or non-employment.

3. Employment

3.1 General Changes in Employment

The development of employment in Lithuania since 1991 is characterised by a decrease in total employment, considerable increases in employment in the private sector, a fall in employment in industry, a rise in employment in agriculture, a growth of unemployment, the appearance of unofficial employment and its increase (until 1996), and decreases in "shuttle labour migration" and the number of persons paying social insurance contributions (especially those employed in agriculture).

Table 3.1: Development of Employment in Lithuania,1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998
Employed population (in thousands)	1897.6	1855.2	1778.2	1675.0	1643.6	1659.8	1669.2	1649.3
Yearly change of employment (%)	2.4	-2.3	-4.2	-5.8	-1.9	0.9	0.6	-1.2
Employed:	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
■ in agriculture (%)	17.8	19.5	22.4	23.3	23.7	24.0	21.7	21.5
■ in industry (%)	30.0	28.8	25.7	22.4	21.2	20.0	20.1	19.7
■ in services (%)*	52.2	51.7	51.9	54.3	55.1	56.0	58.2	58.8
Employed in private sector (%)	30	41	54	61	63	67	68	69

*Sources: [15,24]; * Incl. construction*

3.2 Structural Changes in Employment

The total number of the employed has decreased considerably (by almost 350 000 persons). Employment in industry, construction and transport has experienced the largest declines. Similar tendencies have been observed in the OECD countries, which experienced a peak in industrial employment in the middle of the 1970s. However, it is necessary to emphasise that the decrease in employment in industry in the OECD countries and that in Lithuania have different origins. In Lithuania, the main reason for the fall in employment in industry is the reduction of production and general difficulties in the economy, e.g. the loss of markets, the low quality of production, old technologies and low efficiency. We observe that employment in industry stabilised between 1996 and 1998. If an active foreign trade policy is pursued, more attention is paid to attracting investments and a flexible policy on taxes and custom duties is implemented, we may hope that employment in industry will not decrease, but increase.

In 1990, when the reforms in the economy started, the majority of those employed worked in industry (30%), in agriculture (18%) and construction (12%). In the course of the reform, the number of employees decreased most rapidly in industry and construction, and increased in trade, and in the spheres of state government and defence, compulsory social insurance, and health and social work.

Lithuania lags behind EU countries when we look at the service sector's share in employment. In 1997, approximately 67% of the working population in EU countries were employed in services, while in Lithuania this share is only 51%. Yet in comparison with Eastern and Central European countries, the situation in Lithuania is not so bad[1]. It must be noted that the service sector in Lithuania is well developed only in big cities and in the central localities of regions that are distinguished by an effectively functioning industrial infrastructure. The number of services and their quality is deteriorating in small towns and rural areas. One of the main reasons why the service sector is not developing in small towns and rural places is the insufficient purchasing capacity of the population.

Employment rates

While employment has decreased, the employment rate has decreased too. The male employment rate has decreased more than the female employment rate. During the period 1989-98, the male employment rate fell from 76.3% to 59.1% and the female employment rate from 61.2% to 46.8%. Thus, the difference between male and female employment rates decreased from 15.1% in 1989 to 12.3% in 1998.

Since 1989 the employment rate has decreased in all age groups, but the degree of decrease differs. The general employment rate has decreased most in the age groups 20-24 and 30-34. The male and female employment rate has changed differently in the different age groups. The female employment rates have decreased more than the male employment rates in the 14-19 and 30-34 age groups. The male employment rate has decreased more significantly in the 45-49 and 50-54 age groups. Although the female employment rate fell less than the male employment rate during the period 1989-98, it must be noted that at the present time (1999), the female employment rate in Lithuania is considerably lower than the average in EU countries.

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[1] In 1997, 48% of the working population in Poland were employed in the service sector, in the Czech Republic 53%, in Romania 30%, in Slovenia 47% and in Latvia 53%.

Table 3.2: Employment rates in Lithuania by age in 1989-1998, selected years (in %)*

Age	1989	1996	1997	1998
Total	**68.2**	**61.4**	**52.6**	**52.5**
14 - 19	23.8	13.0**	12.4	11.0
20 - 24	76.3	61.0	54.7	54.5
25 - 29	92.5	69.0	73.7	75.6
30 - 34	94.7	76.0	75.8	73.1
35 - 39	95.5	79.5	80.9	81.4
40 - 44	95.0	79.6	81.7	83.1
45 - 49	93.2	77.7	80.8	81.1
50 - 54	87.9	78.1	73.4	75.0
55 - 59	61.5	64.1	53.3	55.0
60 - 64	29.0	50.9	24.1	24.6
65 - 69	19.1	45.3	9.5	10.2
70 +	5.1	37.0	5.3	3.3

*Sources: [4,23,24]; * LFS data. Data from the LFS in 1996 can not be compared to the data from 1997-1998, because Labour Force Surveys were conducted according to different methods. ** index of the 15-19 years group.*

Female employment

In 1989, women made up 48% of the employed population in Lithuania. In 1994, this indicator had risen to 50% and in 1998 it came to fractionally more than 48%. However, it is important to note that during the transition of the economy, the age structure of employed women has changed.

Table 3.3: Female employment in Lithuania 1989-1998

	1989	1994	1995	1996	1997	1998
Total (in thousands)	**918**	**838**	**825**	**828**	**821**	**803**
Agriculture (%)	15.3*	16.2	16.4	17.1	16.6	17.0
Industry (%)	27.3*	19.0	17.3	16.0	16.0	17.5
Services (%)	57.4*	64.8	66.3	66.9	67.4	65.5
Private sector (%)	50.2**	...	...	...	60.6***	59.2***

*Sources: [4,5,6,7]; * 1992 year data. ** 1993 year data. *** Labour force survey data.*

In Lithuania, as in other European countries, women work mostly in services (Table 3.3). During the period 1989-98, when the general employment structure changed, the female employment structure changed too. The number of women employed in industry decreased by 110 thousands persons, i.e. about 44%. In agriculture we see (Table 3.3) increasing of female employment according to the structure of the employment, but in the absolute figures during the period 1989-1998 the number of the employed womens decreased only by 4 thuosands (with fishing 136.5 thuosands in 1998). At the same time the proportion of womens employed in services increased by 7 percentage points, but in absolute figures the number remained approximately the same. Women account for about 85% of employment in health care and social work, 76% in education and 80% in financial intermediation.

During the privatising of enterprises in 1992-1994, dismissals of women occurred more often than of men. Because of the actively developing service sector, the female employment rate in the private sector has increased and now exceeds the male employment rate.

Until 1990 the largest share of employed women were between 25 and 34 years old. However, since 1996 the majority of them are 35-39 years old. The main reason is that employers in many private companies do not create conditions that allow women to retain jobs during maternity leave. In such a situation, women often have to choose between keeping their job and having children. Women who work in the public sector are better protected in this respect. We can also note that from 1996 to 1998, the number of employed women above 45 years of age decreased.

With regard to the distribution of employed women by professions, we should mention that most women work as specialists. One of the basic reasons is that the average educational level of women in Lithuania is higher than that of men.

3.3 *Employment in Private Sector*

Already by 1989, the number of workers and civil servants in the public sector had started to decline, while it increased in the private sector and stock companies. About 10% of the total number of employed persons worked in the private sector in 1989; in 1993 this figure had increased to 54%, and in 1998 it reached 70%. The proportion of the employed population in the private sector corresponds to the standards of other European countries. One should note, however, that until 1994, employment in the private sector increased not because of a more rapid development of this sector, but mostly because of the privatisation process.

Privatisation process

The privatisation process was launched in Lithuania in September 1991 and since then it has constituted an integral part of Lithuania's economic reforms. The entire privatisation process may be divided into three major stages. The first stage covers the privatisation that took place from September 1991 until July 1995. This phase may be called a mass privatisation using vouchers with some elements of cash sales.

The second phase of privatisation started in July 1995 with the introduction of a new Law on the Privatisation of State and Municipal Property. In accordance with the Law, the second phase called for the cash privatisation of the remaining state and municipal property at market prices. Local and foreign investors had equal rights in purchasing the companies offered for privatisation in Lithuania. During the second phase of privatisation the government had to reduce its control over the sectors of the economy generally recognised as state monopolies by cash sales.

The third phase of privatisation started at the beginning of 1998. A new, amended privatisation law was approved in the *Seimas* (Parliament) in November 1997. The key policy change proposed by the new law is the replacement of the role of the enterprise founder and many of the responsibilities of the Privatisation Agency by the State Property Fund. This Fund holds in trust, uses, sells and privatises state-owned property. As time had shown, the branch ministries had too many conflicting policy objectives and wished to keep enterprises that the Government had decided to sell; in response, the new law, in brief, makes the privatisation process less bureaucratic. The State Property Fund co-ordinates the privatisation process in Lithuania and directly organises the privatisation of the largest state-controlled companies in industry and the infrastructure. The privatisation of these enterprises is carried out through the transparent competitive procedure of international tenders prepared and executed by internationally renowned advisors and arrangers.

The privatisation and restructuring of enterprises in Lithuania has had a great impact on the decreasing number of jobs. Depending on conditions, the number of jobs in privatised enterprises is allowed to be cut by 30% during a period of one to five years. Employment has decreased mostly in the machine industry, metal processing and construction materials enterprises.

After the privatisation process comes to an end, investments are made mostly to modernise industry, to introduce new technologies and to increase work productivity. All that does not stimulate the maintenance of employment. Two to three years after the privatisation process came to an end, the top managers of the enterprises complained that the existing over-employment should be enhanced to make the restructuring process of the enterprise faster.

In terms of the distribution of people employed in the private sector by activities, we should point out that the rate of private employment in agriculture is about 95%, in industry about 78%, in construction about 90%, in trade almost 97%, in financial mediation 39%, and in education only 4%.

3.4 *Regional Distribution of Employment*

The system of administrative units in Lithuania consists of provinces, *municipalities* and

neighbourhoods. The 10 *provinces* are new administrative units that were formed in 1995. According to the Law the main tasks of province administration are the implementation of state social policy measures, the development of culture and health care, environmental protection and the development of interregional programmes.

The *municipalities* consist of 44 regional municipalities and 12 city municipalities. The municipality is a territorial administrative unit based on self-governing institutions elected by the local community. By Law, the municipalities are required, together with the local employment services, to deal with employment matters, organise vocational training and run public works programmes.

The municipalities are entitled to divide their territory into smaller units or *neighbourhoods* (*seniunija*) and to organise their government by an administrative officer or chief executive appointed by the mayor of the Municipality. There are some 500 such neighbourhoods in Lithuania. They have no budget of their own.

Mono-industry regions and reduced opportunities for commuting

During the transition of the economy, significant changes occurred in the regional distribution of employment, especially in the structure of urban and rural employees. High regional employment differences were caused by the fact that until 1990, Lithuania had very active commuting labour migration.

As in other Eastern and Central European countries, complex problems emerged in the areas of Lithuania where the agricultural sector and mono-industrial structures dominated. The very high differences in housing costs and transport expenses burden territorial mobility and have an impact on labour market segmentation. People lost the opportunity to travel and work in big cities when the large enterprises collapsed and transport prices rose sharply in 1991-93

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Regional disparities

With regard to the regional distribution of employment (see Tables A3.2 and A3.3 in Annex), Lithuania may be divided into 3 territorial groups:

1. Territories where an agricultural infrastructure dominates (Lazdijai, Salcininkai, Sirvintos, Skuodas, Jurbarkas regions, etc.). The employment situation in these territories (regions) is the worst; they are scattered around Lithuania, but the majority of them are situated in the eastern part of the country.
2. Territories where an industrial infrastructure prevails (Kedainiai, Plunge, Alytus, Utena, Birzai regions, etc.). These are regions where industrial and construction enterprises survived and successfully reoriented their production, and now operate efficiently under market conditions.
3. The largest cities, Vilnius, Kaunas, Klaipeda, Siauliai and Panevezys, are distinguished by having the best employment conditions and the highest investment activity.

Before the reforms started (before 1989), 82% of the working population worked in enterprises, institutions and organisations in cities and only 18% in rural areas, although the rural population was 32% of the entire population. The programme for the equal development of regions was started in 1968 and was implemented until independence in 1990. On the basis of the programme, enterprises were founded in different regions according to labour force resources and USSR market demand. After the economic system of the USSR collapsed, many of the enterprises became bankrupt and in 1992 and 1993 the working population found itself in a very difficult situation.

3.5 Rural Employment

Until the 1960s, Lithuania was a country in which agriculture dominated (more than 50% of the employed population worked in agriculture); therefore, up to now agriculture has played an important role in Lithuania. From 1989 to 1998 the total number of those employed in agriculture changed little, but the share of individuals employed in agriculture in the total structure by activities of employed persons has increased considerably. At the same time production and labour productivity in agriculture have been constantly increasing. While agricultural production was worth USD 0.94 milliard in 1993, the volume of production increased to USD 1.97 milliard in 1998. The labour productivity in agriculture increased from USD 2.35 thousand in 1993 to USD 4.73 thousand in 1998 (see Table 2.2). One of the main problems in agriculture is the sale of production, especially after the Russian crisis in 1998, when exports of agricultural production to Russia decreased.

Until 1996, employment in agriculture rose constantly. This is a very negative tendency but there were objective reasons for it. In Lithuania, some of the land was distributed free of charge (in 2-3 hectare lots) to those who were employed in agriculture at that time. Given the economic difficulties from 1991 to 1993, many people preferred employment in agriculture to unemployment. We may project that as the economy strengthens in Lithuania, and industry and services develop, employment in agriculture will decrease. This is already indicated by the data from previous years.

Table 3.4: Employment in agriculture (annual averages, in thousands and %) 1989-1998

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
All people working in agriculture*	366.8	350.2	337.5	362.3	399.3	390.1	390.0	399.1	363.0	364.3
of whom: working in agricultural joint-stock companies	226.8	227.1	209.4	212.6	168.7	157.6	104.3	86.0	68.8	...
farmers (in %)	9.3	17.2	13.0	37.2	52.7	54.4	68.1	74.5	76.0	...

Sources: [6,15,26].

During this period, the number of persons employed in agricultural companies decreased and the number of individual farmers increased. In 1989, individual farmers accounted for only 9% of the total number of people employed in agriculture, and in 1998, this number had increased to 77%. However, farms are not large (see Tables A 3.4 and A 3.5 in Annex). In different provinces, the average area of a farm varies from 10 hectares (in Vilnius province) to 17 hectares (in Siauliai province). The opinion of scientists at the Institute of Agricultural Economics is that small and average farms are not efficient. Only large farms (30 hectares and more) can ensure profitable production.

Surveys of farmers were carried out in 1993, 1994 and 1995. They show that almost one fourth of the farmers are above 60 years of age. Half of the farmers are 41-60 years old, while only 5% are young farmers under 30 years of age. Farmers lack specialised education (60% of the farmers are not agricultural specialists), equipment and machinery, seeds of good quality, fertilisers and purchase guarantees for their production.

3.6 Hidden Employment and Hidden Unemployment

Economic decline, the loss of jobs, and financial regulation were the basic conditions influencing the establishment of certain labour market structures in Lithuania: hidden unemployment and hidden employment. These phenomena are also observed in other European countries. Hidden unemployment and, especially, hidden employment have become most widespread in former Soviet countries. On some evaluations, hidden unemployment and hidden employment in Lithuania cover 15-25% of the economically active population.

Hidden employment

This is paid work without a legal employment contract. It is also work for which the appropriate taxes and contributions are not paid from the earned income (hiding of income). The Department of Statistics, using a survey of the population, has tried to assess in what activities unofficial employment has become most widespread. In 1996, every second household out of 1 754 households surveyed was engaged in such work. Unofficial employment is most widespread in agriculture (39% of total work), construction (21%), and sales and repairs of cars (19%). Moreover, it is common in such activities as sewing, transport, medical care and hairdressing services, etc.

Hidden employment is marked by the changes in the number of social insurance contributors from 1991 to 1998. During this period, the number of social insurance contributors decreased from 1 764 000 in 1991 to 1 342 000 in 1998. The number of social insurance contributors decreased most in 1992 and 1993. Since the number of persons of working age scarcely decreased in Lithuania, we may assume that a large proportion of the employed persons who left official employment and did not register at the employment services moved into the shadow economy.

Hidden employment increased most during the period 1992-94 (see Table 3.5). This was a period of economic crisis and people were looking for alternative ways to earn a living. The laws, tax-paying and regulatory system changed during this period, leading to increased failings in the spheres of manufacturing, employment and trade. Beginning in 1995, the Government began to make efforts to decrease hidden employment by strengthening the regulatory system and making it more attractive to citizens to enter into work contracts.

Table 3.5: Dynamics of hidden employment in 1992-1998 (in thousands and %)

	Hidden employment	Yearly change in %
1992	170	
1993	310	82,4
1994	380	22,6
1995	350	-7,9
1996	290	-17,1
1997	290	0,0
1998	250	-13,8

Sources: [8,13,15,23,24] and State Social Insurance data.

According to our assessment, in 1996-98, the rate of hidden employment was reduced. This was a result, first of all, of improvements in financial controls and the regulation of the labour market. Also, the population prefers quality and reliability, so when official companies came into being, they crowded out the informal sector. However, as we have already mentioned, due to the lower prices for services, the unofficial sector may retain its attractiveness for certain groups of the population for a long time.

Hidden unemployment

Hidden unemployment is part-time employment due to a lack of work. This category of the unemployed also includes people of working age who are not working but are capable of working, and who do not register at the employment services. From 1996 to 1997, the extent of hidden unemployment significantly decreased in Lithuania. The highest hidden unemployment was from 1991 to 1993, when 300 000–400 000 persons were working part-time due to a lack of work. During this period, hidden unemployment mostly affected the largest enterprises in electronics, metals treatment and machine-tools production. At the end of 1998, due to economic problems resulting from the crisis in Russia, the number of people forced to work a shortened workday increased, and if the situation does not change in the immediate future, a large part of them may lose their jobs.

Discouraged workers

Another source of hidden unemployment is the unemployed persons who do not register at the employment services. This phenomenon is especially characteristic of the rural population who are 30–45 years of age and who were employed in agriculture before losing their jobs. Among the hidden unemployed there are many people who were registered at the employment services for some time, while looking for a job, but became disappointed when they failed to find work and therefore discontinued their relationship with the employment services.

In summary we may say that in Lithuania, as in other European countries, a large share of the persons looking for work do not apply to the employment services but instead search for a job independently. Estimates made by the Institute of Labour and Social Research show that the population in large cities and industrially developed territories apply to local employment services most often, while the rural population applies to employment services considerably more infrequently. Estimations have demonstrated that seasonal fluctuations are typical in the registration of the unemployed at the employment services. Considerably larger shares of persons who have lost their jobs are registered at the employment services in November - March than in April - October, because of opportunities for work in agriculture and construction. On average about 56% of persons who lose their jobs register at the employment services, but in some territories this indicator is 70%, and in some only 23%.

Wage arrears

Persons who have not been paid during the past 2-3 months may also be added to the category "hidden unemployment". There is no complete information about this phenomenon in Lithuania. In 1998, the State Labour Inspectorate inspected 350 enterprises that employed 112 000 people. Of these, 26 enterprises paid lower wages than they were supposed to, or else paid minimum wages (this covered about 5 000 people). 43 enterprises (with about 19 000 employees) had not paid wages for two or more months. During an inspection in February 1999, 70 enterprises were found to have delayed the payment of wages, but the number of employees whose wages had been delayed decreased to 8 100. These numbers do not reveal the full scope of this problem in Lithuania, since wage payments are often delayed in small enterprises (employing up to 10 persons) that are inspected by the State Labour Inspectorate more rarely.

Decreasing share of the number of employed individuals covered by social insurance

We have already mentioned that the number of insured working persons fell very substantially during the transformation of the economy (Table 3.6). The decline started in the third quarter of 1991.

The number of insured persons dropped off in almost all regions and cities. During the period in focus (comparing data for the third quarter of 1998 to data for the third quarter of 1991), the number of insured persons in Lithuania fell by 26.4%. The worst situation is in Sirvintai, Skuodas, Lazdijai, Birzai and Kelme regions where the number of insured persons has decreased by more than 50%. These are regions where a rural population and an agricultural infrastructure dominate, and where the high level of unemployment (which significantly exceeds the average unemployment in the country) has already existed for a long time. During the period in question (1991–99), the number of insured persons decreased by more than 400000. The number of insured agricultural employees decreased the most. In the third quarter of 1998, 364 000 persons worked in agriculture in Lithuania, but only about 34 000 of them paid social insurance contributions (including just 1 800 farmers, which is just 1% of registered working farmers). People working in agriculture have low incomes (wages in agriculture are about 35% lower than the average wages in the country), and their income partly consists of agricultural produce (income in kind). Many of them are therefore incapable of paying social insurance contributions themselves. This being the case, fewer and fewer former agricultural workers have been entitled to unemployment benefits since 1996, as they lack the required social insurance period of 24 months within the last three years before registration at the employment services.

Table 3.6: Number of persons paying social insurance contributions and their share in the number of employed and working age population 1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998
Social insurance contributors, thousand	1764.5	1573.0	1373.5	1287.4	1296.4	1325.0	1324.0	1342.0
Share of number of employed, %	93.0	84.8	77.2	76.8	78.9	79.8	79.3	81.4
Share of working age population, %	83.2	74.2	65.1	61.2	61.6	63.0	62.4	63.2

Source: [20,24] and State Social Insurance data

At present, paying state social insurance (SODRA) is obligatory if employed. However, the possibility is being considered to allow those employed in agriculture to make voluntary payments on the understanding that if they do not pay they can not claim unemployment benefits.

3.7 Vacancies and Structural Imbalances

In recent years, the number of newly registered vacancies at the local employment services has noticeably increased. Employment services had been registering 6 000-7 000 vacancies per month on average (except 1991). Seventy per cent of these were filled in the course of a month and about 30% remained at the end of the month.

In some regions, the need for highly skilled specialists, mostly with university degrees (lawyers, doctors, and language teachers), has not been satisfied for a long time [5, p. 11].

During the first half of 1998, the number of newly registered vacancies increased by 11 400 or almost 38.3% compared to the same period in 1997. Larger or smaller increases can be observed in all provinces (see Table A3.6 in Annex). By law, registration of job vacancies is mandatory in Lithuania. At the same time, according to data from a survey conducted by the Institute of Labour and Social Research in 1996-97, only about 55% of vacancies were registered at the local employment services.

Since 1995 more and more vacancies are being registered at the local employment offices. This is not just a sign of economical growth; it also indicates positive changes in the relationship between local employment services and employers. However, the number of vacancies on 1 July 1998 differed significantly between certain provinces, and not in proportion to the number of registered unemployed. While the number of unemployed individuals registered at the Vilnius and Kaunas Province employment offices represented 36.4% of total unemployment in the country, 66.3% of total vacancies were registered at these employment services. At the same time, only five vacancies were registered in Taurage Province and 15 in Marijampole Province.

Most newly registered vacancies (66.1%) are for blue-collar occupations. Vacancies for specialists in different provinces ranged from 17.3% (Panevezys Province) to 33.5% (Vilnius Province). The majority of newly registered vacancies (63.2%) were in the service sector. The lowest demand for specialists was in agriculture, hunting, forestry and fishing, with 3.3% of the total number of newly registered vacancies (see Table A3.7 in Annex).

The analysis of the mismatch shows that the greatest differentiation occurs in the group of blue-collar workers. It is mostly metal processing, machine industry and agricultural workers who are registered at the local employment services, while the highest demand is for service and construction workers. The structural imbalance among specialists having a high level of education is significantly lower, because the demand for this group is growing. The demand for artists, architects, teachers of Russian and agricultural specialists is relatively low.

Vacancies and the structural imbalance can be illustrated by the unemployed/vacancy (U/V) ratio (number of unemployed to the number of vacancies). The U/V-ratio shows that more than four unemployed persons applied for each vacancy registered at the local labour offices in 1997-98. For blue-collar positions the same indicator reached 7-8, while for white-collars positions it was about 2. This indicator differs between areas. The highest estimate in 1998 was in Taurage Province (5 unemployed to 1 vacancy), and the lowest in Telsiai Province (3.2 unemployed to 1 vacancy.

Table 3.7: Registered unemployed, vacancies and unemployed/vacancy ratio by provinces in 1997-1998, Lithuania

	1997			1998		
Provinces	**Total number of unemployed**	**Total number of vacancies**	**U/V ratio**	**Total number of unemployed**	**Total number of vacancies**	**U/V ratio**
Total, whole country	**301113**	**67070**	**4.5**	**324430**	**75920**	**4.3**
Alytus	18230	3768	4.8	20036	4953	4.0
Kaunas	45278	11617	3.9	48357	10797	4.5
Klaipeda	30938	6534	4.7	30649	6429	4.8
Marijampole	14462	2906	5.0	18384	3724	4.9
Panevezys	28262	6118	4.6	33227	9247	3.6
Siauliai	38796	9700	4.0	46653	11093	4.2
Taurage	13586	2695	5.0	13307	2644	5.0
Telsiai	13477	4008	3.4	15477	4851	3.2
Utena	17781	3183	5.6	19275	3916	4.9
Vilnius	80303	16541	4.9	79065	18266	4.3

Source: Table is drawn up on the basis of annual reports – form DBB01N of 1997 and 1998 – made by the Lithuanian Public Employment Service.

The structural imbalance of the vacancies needs to be taken into account in forming vocational training programmes. Both in the labour market training system and within the Ministry of Education and Science, surveys are being carried out and projections made in order to align the needs of the labour market and the possibilities offered by the VET system[2]. About 40% of school leavers become unemployed after they finish vocational schools. Vocational schools have very limited possibilities for modernising their programmes and especially for acquiring new equipment to develop the practical part of the training. The worst situation is found in agricultural vocational schools. Many PHARE projects helped in modernising vocational schools in different parts of the country from 1996 to 1998.

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[2] It needs to be said that universities and colleges (ISCED 5 level) adapted faster to new market requirements. A much worse situation is found in the vocational schools (ISCED 3 and 2 levels).

4. Labour Force Participation

4.1 *Demographic Trends*

At the beginning of 1999 the population of Lithuania was 3 704 000 (see Table A 4.1 in Annex) of which 1 178 800, or 32%, resided in rural areas. At the beginning of the eighties the growth rate stabilised at 0.8-0.9% per year. From 1990 on the population growth rate began to slow down and in 1992 the population started to decrease. This was mainly due to the re-emigration of part of the population to the Commonwealth of Independent States (CIS).

In 1992 the population decreased by 10 000, in 1997 by 3 000. During the same period, the rural population, after a long period of decline, started to grow: in 1992 it increased by 9 000, in 1993 by 3 000 and in 1997 by 6 000.

In 1994 the overall demographic situation became even worse: the number of deaths exceeded the number of births by 4 110, in 1997 by 3 331. The average life expectancy in Lithuania was growing until the eighties and in 1970 it was 71 years. In the two decades that followed, life expectancy fluctuated but a tendency could be discerned for it to become shorter, particularly in the eighties. The average life expectancy in 1997 was 71.4 years. The gap between male and female life expectancy widened from 9.9 to 12.1 years between 1979 and 1994 and then narrowed to 10.9 in 1997. In 1997 male life expectancy was 65.9 and female 76.8 years.

Table 4.1: Total population by age groups in 1989, 1995-1998 (in thousands and %)

Age	1989	1995	1996	1997	1998
Total, thousand	**3674.8**	**3717.7**	**3711.9**	**3707.2**	**3704.0**
yearly change %	1.1	-0.17	-0.15	-0.1	-0.09
% share:					
0-14	23	22	22	21	21
15-64	67	66	66	67	66
65 -	11	12	12	12	13

Source: [23,24]

As seen from Table 4.2 the total population of working age remained almost unchanged during the period in question (1991-98). The reason for the fall in the population by 26 000 between 1991 and 1994 was a substantial emigration of Russian-speaking persons from Lithuania. During this period, about 70 000 people emigrated from Lithuania while about 40 000 immigrated to Lithuania. The increase in the number of persons of working age in 1995-98 is explained by the fact that the retirement age was raised by law.

Table 4.2: Population of working age in 1990-1998, thousands and %

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Working age population, thousands	2118.7	2127.6	2119.7	2108.3	2101.9	2110.8	2121.3	2128.6	2124.6
index of yearly change %	100.6	100.4	99.6	99.5	99.7	100.4	100.5	100.3	99.8
Female, thousands	1139.9	1144.6	1140.4	1134.3	1132.9	1137.7	1143.4	1149.4	1146.0
index of yearly change %	–	100.4	99.6	99.5	99.9	100.4	100.5	100.5	99.7
Male, thousands	978.8	983.0	979.3	974.0	969.0	973.1	977.9	979.2	978.0
index of yearly change %	–	100.4	99.6	99.5	99.5	100.4	100.5	100.1	99.9

Source: [24]

Re-emigration to CIS

Beginning in 1989, an ongoing process was reversed: the number of incoming people decreased and the number of outgoing increased. In 1989-94, 99 000 people moved to the former USSR republics and 51 000 came to Lithuania from there. In recent years the number of outgoing people has been decreasing. In 1994, 3 400 people left the republic for the former USSR republics, in 1997 only 1 600.

In 1990-97 the total net migration decreased from 11.6 thousand to 0.1 thousand (Table 4.3).

Table 4.3: Migration changes in Lithuania, 1990-1997 (in thousands)

	1990	1991	1992	1993	1994	1995	1996	1997
Arrived	132.9	102.3	84.7	71.8	75.1	85.8	83.8	81.7
Departed	121.3	107.6	106.9	85.0	77.7	87.5	84.7	81.6
Net migration	11.6	-5.3	-22.2	-13.2	-2.6	-1.7	-0.9	0.1
per 1000-citizens:								
Arrived	35	27	23	19	20	23	23	22
Departed	32	29	28	23	21	24	23	22
Net migration	3	-2	-5	-4	-1	-1	0	0

Sources: [15,24]

Surveys carried out by the Institute of Philosophy and Sociology in 1995 show that approximately 75% (author's estimate) of those going abroad for commercial purposes, or Lithuanian citizens working abroad, noted that they would prefer not to work abroad if they could earn similar money in Lithuania.

4.2 Labour Force Participation of the Population

The transition of the economy has had a very negative impact on the labour force participation rate. This indicator was about 70% in 1989. As general employment decreased, labour force participation and employment indicators declined accordingly. According to Department of Statistics data, in 1998 the labour force participation rate reached only 60.9% and the employment rate 57%. According to LFS data, the employment rate in 1998 was only 52%. It should be noted that employment rates decreased mainly among young people (14-19 years of age and 25-29 years of age) and among people over 50 years of age. Among elderly people, there was an observable tendency for the disability rate to increase very sharply as the unemployment rate grew. In 1993, 13 000 people were newly recognised as disabled in Lithuania, and in 1997 this number rose to 17 500. Of those newly recognised as disabled, almost 70% were over 45 years of age. A disability provides an individual with broad social guarantees and State support. This is why elderly people, especially those who are without work, do their very best to be recognised as disabled.

Table 4.4: Labour force participation by gender in Lithuania, 1989-1998*

	Total labour force thousands	Total participation rate, %	Female labour force thousands	Female Participation rate, %	Male labour force thousands	Male participation rate, %
1989	1901.2	68.2	918.5	59.0	982.7	73.4
1990	1852.7	65.5	996.5	67.5	856.0	63.0
1991	1902.8	66.9	1023.0	67.0	879.0	66.8
1992	1879.3	66.0	991.3	64.6	888.0	67.5
1993	1859.3	65.3	967.6	63.1	891.7	67.8
1994	1740.7	61.1	872.5	56.8	868.2	66.1
1995	1725.6	61.4	884.7	57.5	867.9	66.0
1996	1783.5	62.3	895.3	58.0	888.2	67.4
1997	1773.7	61.2	876.8	53.9	896.9	69.7
1998**	1754.3	60.9	854.3	54.1	9000.0	69.7

*Sources: [6,7,15,24]; * Author's calculations. **First half of the year*

Often employers in private enterprises and companies fail to create favourable conditions for maternity leave for women. In 1993-95, according to State Labour Inspectorate information, some employers in private (usually small) enterprises, when concluding employment contracts with young women, often included a statement that they were employed until they became pregnant; in other words, pregnant women were automatically dismissed. In 1997-98, the State Labour Inspectorate provided no information about such cases. When discussing participation rate by gender, it should be noted that during the period 1989-98, the female participation rate decreased by 4.9% and the male by 3.7%. Like the female employment rate, the female participation rate decreased most significantly in the groups up to age 34. The male participation rate decreased most in older age groups (from age 45 on).

Table 4.5: Labour force participation rates by gender and age groups , 1997-1998 (%)

Age	1997			1998		
	Total	Males	Females	Total	Males	Females
Total	**61.2**	**69.7**	**53.9**	**60.9**	**69.7**	**54.1**
14-19	19.8	23.8	15.7	16.9	22.9	10.6
20-24	70.7	82.5	58.6	70.3	79.3	61.2
25-29	85.3	92.5	77.8	87.7	91.5	83.8
30-34	86.8	90.0	83.5	89.5	94.0	84.9
35-39	91.9	94.2	89.6	93.4	95.7	91.1
40-44	94.9	97.0	93.0	92.6	91.0	94.2
45-49	93.7	90.5	96.5	93.9	95.6	92.3
50-54	83.8	87.7	80.4	85.4	86.7	84.3
55-59	58.9	81.2	41.3	59.8	82.3	42.0
60-64	24.2	35.7	15.8	25.4	38.7	15.7
65-69	9.5	11.7	8.0	10.3	14.1	7.8
70+	5.3	8.4	3.9	3.3	5.9	2.0

Sources: [4], LFS data

4.3 *Labour Force Participation by Educational Attainment*

The level of education among employed people is quite high in Lithuania. In 1998, almost every other employed person had a diploma of higher or university education. Comparing the structure of the labour force according to educational attainment in 1989 and 1998, it improved in absolute as well as in relative terms (see Tables A4.2 - A4.4 in Annex).

An especially positive tendency is the increase in the number of employed persons with diplomas of higher education (by 37 000 or 5%). There is a tendency in Lithuania, as in the EU countries, for the need for specialists with higher education and highly skilled blue-collar workers to increase, and the need for unskilled workers and middle-level specialists to decrease.

Table 4.6: Labour Force Participation Rates by Educational Attainment. (%)

Education	1997			1998		
	Total	Wome n	Men	Total	Women	Men
Primary	35.1	27.7	44.3	27.9	20.0	37.6
Apprentices	55.3	43.7	63.9	57.0	45.4	64.3
Vocational and General Secondary	68.0	66.2	73.5	77.1	67.6	87.5
Tertiary	88.5	84.8	93.5	85.7	84.6	87.1

Sources: [4], LFS data

A highly educated labour force is a comparative advantage for Lithuania, but swift market changes make the productive use of educated labour problematic. People who acquired an education (especially a vocational one) ten or more years ago are particularly vulnerable to changes in labour market demands. Highly qualified people have been increasingly forced to take on jobs where their skills or knowledge are irrelevant. In 1989, only 4% of specialists with tertiary diplomas (ISCED level 6) were employed as blue-collar workers, while by 1997, this figure had risen to 11%. The proportion of employees with specialised secondary diplomas (ISCED levels 4 and 5) employed as blue-collar workers increased from 30% to 44 %. The phenomenon of over-education in the sphere of employment may be said to exist in Lithuania. On the other hand, employers indicate that specialists lack good knowledge of foreign languages, law, finances and marketing, in particular. Many of the older specialists were trained to work in large enterprises within a specialised labour environment; therefore, it is difficult for them to undertake multi-functional work under new conditions.

According to a survey by the Institute of Labour and Social Research in 1996-98, many employers wished to hire specialists who in addition to having vocational and foreign language skills were creative, independent and capable of working in a team.

Regional imbalances are significant. The share of highly skilled specialists in large cities is rising and it is decreasing in the regions. On the one hand, it is more and more difficult for young people from rural areas to enter schools of higher education; on the other hand, after graduation most of the graduates remain to work in the largest cities, where they have considerably better opportunities in terms of employment and salaries.

4.4 Regional and Ethnical Characteristics

In 1991-94 the total population of working age decreased due to the emigration of people speaking the Russian language. This process was observed mostly in Vilnius Province and also had a small impact on Utena and Klaipeda Provinces (provinces in Lithuania were established only in 1995).

Table 4.7: Employment rates of the population by provinces 1995-1997 (%)*

	1995	1996	1997
Total	**57.5**	**57.9**	**58.0**
Alytus province	51.5	51.7	53.7
Kaunas province	54.9	55.2	56.4
Klaipeda province	59.4	59.7	58.7
Marijampole province	53.4	53.7	53.4
Panevezys province	60.1	60.5	58.3
Siauliai province	58.7	59.0	58.1
Taurage province	53.4	53.8	53.4
Telsiai province	56.5	56.8	56.3
Utena province	56.7	56.9	56.3
Vilnius province	60.7	61.1	61.9

*Sources: [6]; * Administrative data*

At present, the process of internal migration and birth and death rates determine the development of the population of working age. However, these processes are differentiated mostly according to the size of the settlement, not according to the territories. Higher birth and lower death rates exist in cities and regional centres. On the other hand, some people move from cities and regional centres to small towns or rural areas where living costs are lower. This latter attitude towards internal migration is characteristic of the retired population, in particular.

Looking at the territorial distribution of the employed population, we find that employment has decreased in all provinces. The largest decrease has taken place in Taurage Province (29%), and the smallest in Vilnius Province (10%). At the beginning of 1998, the highest numbers of employed individuals were in the provinces with large cities (Vilnius, Kaunas, Klaipeda, Siauliai and Panevezys) (see Table A4.5 in Annex).

In 1997, the highest employment rate was in Vilnius Province (61.9%), and the lowest in Taurage Province (53.4%).

Many large enterprises were formerly situated in Taurage Province and sold almost 100% of their production in the former USSR. Today, about 75% of these enterprises have gone bankrupt, leading to difficulties in employing the local population.

At the regional level, the situation is worse in agricultural regions and much better in the regions with a predominantly industrial infrastructure.

Ethnic characteristics

The Lithuanian population is ethnically quite homogeneous; Lithuanians make up about 80% of the population. At the same time, there are areas where non-Lithuanians dominate. Between the wars, south-eastern Lithuania was under Polish rule and in the Vilnius region 40% of the population is still Polish. Vilnius itself has a Lithuanian majority of 51% (Oxenstierna, 1992, p.223), but 17% of the capital's population is Russian, 29% Polish and 3% other. Non-Lithuanians make up about 91% of the population in the Salcininku region, 47% in Svencioniu, 61% in Ignalinos, 42% in Traku and 30% in Zarasu regions (see Table A4.6 in Annex). Russians make up the largest part of the population in the Ignalinos (39%) and Zarasu (21%) regions. All the regions that are dominated by non-Lithuanians are agricultural regions, where employment possibilities are worse and unemployment levels higher.

4.5 *Supply of Hours*

According to data from the LFS, only 9% of the employed population were employed in part-time work in Lithuania in 1998. Women were employed in part-time work fractionally more often. People are usually not employed part-time voluntarily, but because of economic-financial difficulties in their enterprise (organisation). Lithuania does not use part-time work as a labour market policy measure. The majority of the employed population in the country works a 40-hour week.

Table 4.8: Employed by age and full or shortened working day in 1998

	Total	Full working day		Shortened working day	
	in thousands	in thousands	%	in thousands	%
Total	**1568.7**	**1427.8**	**100**	**140.9**	**100**
14-24	178.9	151.1	10.6	27.9	19.8
25-49	1053.3	969.8	67.9	83.6	59.3
50-64	309.0	282.5	19.8	26.5	18.8
65+	27.4	24.4	1.7	3.0	2.1
Men	**816.0**	**754.6**	**100**	**61.5**	**100**
14-24	104.9	89.6	11.9	15.3	24.8
25-49	530.3	498.8	66.1	31.5	51.2
50-64	165.9	152.1	20.2	13.7	22.3
65 +	15.0	14.0	1.9	1.0	1.7
Women	**752.7**	**673.3**	**100**	**79.4**	**100**
14-24	74.1	61.5	9.1	12.6	15.9
25-49	523.1	471.0	70.0	52.1	65.6
50-64	143.2	130.4	19.4	12.8	16.1
65 +	12.3	10.4	1.5	1.9	2.4

Source: [6]

However, almost 22% of employed individuals work more than 40 hours and 12% more than 50 hours per week. Men work more than 40 hours per week more often (men 25%, women 18%). The rural population is also more likely to work more than 40 hours per week (rural 29%, urban 18%), though the income of the rural population is not much more than half that of the urban population (in large cities).

Many people in Lithuania hold additional jobs. Usually, these are not full-time jobs regulated by an employment contract. Only 6-8% of the employed population have full-time additional jobs. However, it is most common for the population in Lithuania to undertake casual work, or work in their gardens, or to help their relatives in agriculture. About 63% of the population in Lithuania who do not work in agriculture and do not live in rural areas are directly related to people who work in agriculture (their parents, brothers, sisters or other relatives). Additional work is usually done at the weekends or on days off.

According to LFS data, about 6% of the employed population on average undertook additional work in 1998.

Table 4.9: Employed by working hours per week at main workplace in 1998

	Total	Of which: number of hours						
		0	1-35	36-39	40	41-45	46-49	50+
Total	**100**	**6.0**	**15.4**	**2.7**	**54.2**	**3.2**	**6.5**	**12.0**
Men	100	3.7	11.6	2.2	57.4	2.9	6.8	15.4
Women	100	8.5	19.4	3.3	50.7	3.4	6.2	8.4
Urban	100	6.9	12.1	2.7	59.8	2.8	6.4	9.2
Rural	100	3.8	23.4	2.7	40.8	3.9	6.7	18.7

Source: [6]

About 84% of persons undertaking additional work were employed in the private sector. Of all people engaged in such work, 39% undertook additional work as self-employed (52% of the men and 23% of the women). The rural population worked as self-employed more often (rural population 57%, urban population 16%). About 35% of persons engaged in additional work worked as employees. Women and the urban population were employed in such a way more often (urban 66%, rural 10%). 19% of people engaged in additional work worked as helping family members (women 25%, men 14%). 55% of individuals were engaged in additional work in agriculture, 34% in services and 11% in industry and construction. Skilled workers and non-manual workers were mostly employed in services.

Table 4.10: Number of days employed person has actually worked at the additional workplace during week of investigation

	Total	Of which: number of working days				
		0-2	3	4	5	6+
Total	**100.0**	**17.6**	**11.5**	**5.6**	**15.0**	**50.2**
Men	100.0	20.4	13.5	2.8	12.0	51.3
Women	100.0	14.4	9.1	9.1	18.6	48.9
Town	100.0	33.3	20.5	10.1	25.5	10.6
Country	100.0	5.6	4.6	2.2	7.0	80.5

Source: [6]

5. Unemployment

5.1 *Unemployment Data*

In Lithuania, as in other European countries, information about unemployment is collected in two ways, namely, by the Employment Service of Lithuania and by Labour Force Surveys conducted by the Department of Statistics. Unemployment according to the data from the Department of Statistics is twice as high as unemployment according to information from the Employment Service (Table 5.1).

Usually the information on unemployment made public in Lithuania is based on the data collected by the employment services. However, not all unemployed individuals apply to them. Quite a large proportion of unemployed persons look for jobs through private employment services, by information gathered from the mass media, or with the help of relatives and acquaintances or employers. Therefore, information from the employment services is not comprehensive and includes only the people who apply to them.

Table 5.1: Unemployment in Lithuania 1991-1998

Year	Number of ILO unemployed 1 (thousands)	Number of registered unemployed 2 (thousands)	Unemployment rate (ILO) (%)	Unemployment rate (registered) (%)
1991		5.2		0.3
1992		24.1		1.3
1993		81.1		4.4
1994	213.0	65.7	10.3	3.8
1995	247.0	109.0	11.8	6.1
1996	317.0	124.5	15.6	7.1
1997	256.0	104.5	14.1	5.9
1998	232.0	122.0	12.6	6.9

Source: [4,24]

Surveys conducted by the Department of Statistics cover a significantly larger part of the population. Information on employment and unemployment is collected using a survey method. The questionnaire for the survey was compiled to comply with ILO recommendations and EUROSTAT requirements, and applies international concepts of employment and unemployment.

Analysis of registered unemployment

The first unemployed persons were registered on 1 March 1991, when local employment services began their operations. From 1991 to 1992, few unemployed individuals were registered. After that, this number, with certain fluctuations, increased regularly. In the development of unemployment, we may distinguish two periods: first, 1991-93, and second, 1994-98. These periods differ in:

- Number of males registered at the employment services. In 1992, 59% were males, in 1994, 45%, and in 1998, about 49%.
- Professional structure of those applying to employment services. In 1992, the specific weight of civil servants was 65%, in 1994 about 25%, and in 1998 about 15%.
- Share of young people applying to employment services. In 1992, young people under 25 years of age made up about 4% of applicants, in 1994; the share increased to 8%, and at the beginning of 1998 it was about 19%.
- Last working place of applicants to employment services. In 1991-93, the largest share of total applicants to the employment services (about 33%) were people who had been laid off from industrial enterprises and construction. From 1994 onwards, the share of people who were previously employed in agriculture and the service sector has been steadily increasing.
- Over the whole period, the number of people with no vocational education or those whose vocational education has become obsolete has steadily increased. While in 1991-93 they made up about 25% of the total registered persons, in 1996-98, their share increased to 58–63%.
- Proportion of the long-term unemployed. During the first period, about 3–5% of individuals were long-term unemployed (for more than 12 months), during the second period this figure rose to 13–15%.

By 1 January 1999, 122 800 people were registered as unemployed in Lithuania. 49.8% of them were women and 19% (23 100 individuals) were young people under 25 years of age. There were 15 200 long-term unemployed persons, and the level of unemployment was 6.9%.

Regarding unemployment tendencies in 1998, we must note that from January to March unemployment increased to 133 000 persons, and from April to May it decreased to 110 000.

Table 5.2: Unemployment level registered at the employment services by age and gender, 1996-1998 (at the end of the year, %)

	Total	Men	Women	Youth to 25 years	Persons from 25 to pension age
1996	6.2	5.7	6.7	8.6	4.9
1997	6.7	6.5	6.9	8.2	6.3
1998.07.01	5.5	5.4	5.6	6.1	5.3

Sources: [4]

Table 5.3: Unemployment rates (ILO) by age groups and gender 1997-1998 (in %)

Age	1997			1998		
	Total	Female	Male	Total	Female	Male
14-64	14.3	14.3	14.3	14.5	13.6	15.4
14-24	26.2	23.0	28.3	25.2	23.5	26.4
25-39	12.7	12.3	13.1	14.9	14.6	15.3
40-59	12.7	14.5	11.0	11.3	10.6	12.0
65+	0.0	0.0	0.0	0.4	0.3	0.7

Source: [4]

Most of the unemployed are unemployed for 6-8 months. The average duration of unemployment is 6.5-7 months. It takes less time for men to be placed or to discontinue their visits to the local labour market. Unemployed women are more inclined to take part in labour market policy measures. Women make up about 70% of all participants in vocational training programmes and more than 60% of those in job clubs. When there is no opportunity for employment, women keep in touch with the local employment services longer that men do. This is why female unemployment duration is longer. At the same time, women living in the regions and small towns have more difficulty in trying to find a job.

Table 5.4: Unemployed by duration in 1995-1998 (end of the year) (%)

	1995	1996	1997	1998
under 6 months	x	55	66	65
6 - 12 months	x	34	21	23
of them female			11	13
12+ months	x	11	13	12
of them female			8	7

Source: Employment Service information. x = not available

5.2 *Unemployment by Age Groups and Gender*

One negative trend is the high proportion of young people in the total number of unemployed individuals.

According to data from the Labour Force Survey, young people (under 25 years old) had an unemployment rate of 26.1% in 1996 (27.3% for men and 24.6% for women), and a rate of 25.2% in 1998 (26.4% for men and 23.5% for women; see Table 5.3).

*Table 5.5: The unemployed according to age groups in 1996-1998**

Age	1996	1997	1998	
	%	%	%	Thousand
Total	**100.0**	**100.0**	**100.0**	**122.2**
16-18	2.4	2.5	4.2	5.1
19-24	16.0	16.0	14.0	17.1
25-29	13.0	12.2	11.7	14.3
30-49	55.0	54.3	53.6	65.5
50-54	9.3	9.8	10.2	12.5
55-59	4.1	4.7	6.2	7.6
60 +	0.2	0.2	0.1	0.1

*Source: Employment Service information. * First quarter of appropriate year*

Youth and long-term unemployment

Unemployment among young people is an urgent problem in all European countries, but this should not reduce its importance for Lithuania. The high level of unemployment among young people has not only a high economic, but also a high social cost. Unemployed young people are the most likely medium for the spreading of illegal behaviour, they promote illegal and unofficial activity, distort the reproductive function of the society and increase social tension.

At the Lithuanian employment services, special attention is paid to youth and long-term unemployed. One of the main Lithuanian labour market policy goals in 1998 was to ensure the integration of youth into the labour market by an orientation towards an active job search and by vocational training to meet the demands of the labour market. 18 000 young people (35%) have been employed and 21 000 (41%) have been involved in active labour market measures aimed at meeting these objectives. Special attention is paid to training programmes, in which 40% of youth have participated as part of the preventive action against youth unemployment. Youth training and employment programmes have been prepared in four regions.

An individual action plan is made for each long-term unemployed individual. When placing long-term unemployed persons, the main problem is that many of them have harmful habits (e.g. alcohol abuse) and employers do not desire to keep such workers.

Female unemployment

In analysing female unemployment, it must be noted that according to the Employment Service data, the number of women registered at the local employment services was less than the number of men during 1991-94. From the middle of 1994 onwards, the number of women increased and became greater than that of men. 55% of those registered as unemployed at the local employment services were women. In January 1999, women accounted for 49% of all the registered unemployed and in 1998 this index stood at 50%.

According to LFS data, women accounted for 44% of all unemployment in 1998; the female unemployment level was 13.4% and the male 15.1%. Analysing the distribution of unemployment levels according to age, we may observe that the highest female unemployment level is in the 14-19 age group (35.3%); the male unemployment level in the same group is 34.6%. At the same time, it should be noted that in the 45-54-year-old group, male unemployment is higher than female. It is interesting that female unemployment is higher (by 4%) than male unemployment in the Russian and Polish population, while female unemployment is lower (by 2.5%) than male unemployment in the Lithuanian population.

5.3 *Unemployment by Educational Attainment*

The share of unemployed individuals with non-marketable professions in the labour market is growing. Of those who are unemployed almost every other person has completed vocational schooling. At the same time the demand for unqualified labour is falling, while specialists in new professions or with high occupational skills are in great demand. Traditionally, there is a high demand for specialists with higher qualifications, e.g. doctors, lawyers, teachers of foreign languages and police inspectors. Shortages of these specialists are felt especially in the regions.

The proportion of unskilled persons (young people, in particular) is continuously increasing among the unemployed.

Table 5.6: Education of the unemployed in 1996-1999

	1996*	1997*	1999**	
	%	%	%	thousands
Total	100	100	100	122.8
High	6.3	7.0	5.7	7.1
Higher	18.5	20.0	16.8	20.7
Vocational	48.0	38.3	34.0	41.7
without vocational training	27.2	34.7	43.5	53.3

*Source: Lithuanian Employment Service information. * - First quarter of appropriate year. ** - beginning of the year*

It is difficult for the local employment services to work with individuals who lack professional education, especially in a situation where employers regularly specify high requirements for newly employed individuals, and where the level of technology and requirements in terms of quality and labour discipline are increasing.

Table 5.7: Unemployment rate (ILO) by educational attainment in 1997-1998 (%)

Year	Unfinished basic schooling	Completed basic schooling	Apprentice or vocational school	Grammar or other secondary school	College or university degree	Total
1997	12.1	18.3	21.3	17.7	9.8	14.1
1998	15.6	20.8	19.9	18.4	8.4	12.6

Source: [4]

5.4 *Unemployment by Regions*

During the whole period of unemployment registration, it has been possible to distinguish a certain differentiation of unemployment in Lithuania. By 1 June 1998, the highest unemployment was in the Lazdijai region (15.9%), the Salcininkai region (14.4%) and the Akmene region (13.8%). The lowest unemployment was in the Prienai region (3%), the Anyksciai region (3.4%) and the Kaunas region (3.6%). The average unemployment level was 6.2% at this time. If we analyse the territorial differentiation of unemployment in absolute numbers, we see even greater differences. At the end of 1998, there were 17 400 unemployed persons in Vilnius and the Vilnius region (these regions are served by a single employment service), in Kaunas and its region 8 400 people were unemployed, and in Siauliai 7 800. In Palanga, in contrast, there were only 466 unemployed persons, in Prienai region 549, in Anyksciai 617 and in Kaisiadorys 645. With regard to the territorial differentiation of unemployment in Lithuania, we must note that the majority of the unemployed people reside in and around the largest cities, while the highest level of unemployment is in the regions with a predominantly agricultural infrastructure (see Table A5.1 and the map in the Annex).

6. Vocational Education and Training

The transition from a centrally planned to a market economy, and the subsequent formation of a labour market and the resulting unemployment, disclosed that the education system no longer met the requirements of the economy. An immediate reform of the education and training system was necessary. In 1993, the Education Concept and the reform programme for 1993-97 were approved. The main purposes of the vocational education and training reform were: (1) to reform the vocational training system in order to match free market conditions; (2) to improve the content of education to correspond to economic needs and assure a higher quality of vocational training. The process of change is still continuing and a new education reform programme up to the year 2005 is currently under preparation.

6.1 General Status of the Education and Training System

The Lithuanian education system consists of three parts: general education, vocational education and training (VET), and higher education. The possible ways of continuing to study after graduating from one level of education, as well as the ways of entering the labour market, are shown in Graph 6.1 (see Annex).

Table 6.1: Drop-outs from school

Academic year	Number of students leaving schools during academic year		% drop outs (compared with the total number of students participating in relevant school during academic year)		% drop outs because of academic failure (compared with the number of students leaving schools during academic year)	
	Secondary school	Vocational school	Secondary school	Vocational school	Secondary school	Vocational school
1991-92	10 057	3 871	2.1	…	10.8	61.1
1992-93	11 089	4 856	2.2	11.3	10.9	36.0
1993-94	4 473	4 579	0.9	9.9	14.2	35.7
1994-95	6 263	3 840	1.2	8.4	5.2	38.7
1995-96	6 706	4 163	1.3	8.4	6.2	38.9
1996-97	6 081	4 730	1.2	9.2	7.0	36.7
	Colleges	Universities	Colleges	Universities	Colleges	Universities
1991-92	4 086	7 115	11.0	11.5	64.3	61.8
1992-93	3 060	6 684	11.0	11.8	57.1	63.7
1993-94	2 400	6 332	10.1	12.7	57.8	63.7
1994-95	2 736	6 166	11.2	11.7	40.1	56.5
1995-96	2 554	5 358	10.4	9.5	57.6	55.0
1996-97	2 967	5 659	11.2	11.5	62.5	67.1

Source: Data from Lithuanian Department of Statistics

Pursuant to the Constitution of the Republic of Lithuania (1992), education at the state or municipal general education schools, vocational schools and colleges is free. The amount of funds allocated to the educational institutions directly depends on the number of students and the orientation of the training programmes. This means, first, that finances have a major impact on planning the number of students to be accepted, and secondly, that the schools have an interest in retaining all their students, which poses a threat to the quality of education. The data on student drop-outs is presented in Table 6.1.

The main sources of financing for secondary and vocational schools and colleges are the state and municipal budgets, while the universities are partially funded by the students themselves. According to the Law on VET of the Republic of Lithuania, 1997, vocational education and training are to receive additional funding from the Vocational Training Fund. Unfortunately this law has not yet been implemented. Thus, higher schools have better chances of developing and improving the quality of teaching (they have more resources). This gives the impression that the state is not equally interested in all the constituent parts of the education system. This impression is further strengthened when we analyse the supply of teaching materials to educational institutions: the state funds the publication of almost all textbooks and manuals used in general education schools, and a considerable part of the manuals used at universities, while vocational schools and colleges have to take care of this function themselves.

The bilateral contacts of the Ministry of Education and Science and the individual schools with different Western countries and their schools have had a major influence in forming the contents of VET. Special importance may be attached to the PHARE VET reform programme (1995-97 and 1998), which covered the development of training/study curricula, the upgrading of teaching staff qualifications and the modernisation of teaching tools. The PHARE Programme had a direct impact on less than 20% of all VET institutions, but its indirect impact has affected the entire system.

Insufficient links to the labour market

From 1996 onwards, the Institute of Labour and Social Research has conducted labour market surveys, and the Employment Service has carried out the questioning of employers. The data obtained has been used to make labour market projections which are then disseminated to all the vocational schools and colleges in order to facilitate the planning of their activities (i.e., how many and what kind of specialists to educate).

The studies undertaken show that regions differ in the economic characteristics that determine the labour and occupation demand from economic activities (i.e., the distribution of the main productive resources: capital, land and labour). The privatisation of land, the abolition of collective farms, the establishment of private farms and other factors have had a major impact on the demand and supply for individual occupations (especially agricultural) in the regional labour markets. Due to inaccuracies in the projections, caused by the changes underway in the regions, and because of the absence of a clearly defined policy for the creation of jobs in rural areas, the main problem faced by the vocational (especially agricultural) schools and colleges today is "what specialists should be trained?"

The occupational courses offered do not always correspond to the occupational demand of the market. The position is similar with regard to plans for the number of specialists to be trained. However, it should be pointed out that the decisions taken depend on the amount of funds allocated to vocational schools and colleges as well as the qualifications of the specialists managing the VET system. Briefly, it seems that a deep analysis of sectors and regions is required, together with the creation of a regional VET-policy.

Educational level of the unemployed

An analysis of the education of the unemployed reveals that the majority of the unemployed have no professional qualifications, while a minority of those unemployed are graduates of institutions of higher education. The distribution of the unemployed by education is presented in Table 5.6, and the number of graduates (of educational institutions) registered at employment services in Table 6.2. When analysing the figures presented in Table 6.2 it is necessary to bear in mind that the number of new graduates from vocational schools is approximately 3 times as large as the number from universities and colleges.

Table 6.2: Number of Graduates by educational institutions registered at the employment services

Educational institutions	%, compared with the total number of registered unemployed graduates per relevant year	
	1996	1997
Universities	13.2	13.8
Colleges	30.9	18.6
Vocational Schools and Labour Market Training Centres	55.9	67.5

Source: Data from Lithuanian Employment Service

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Thus, the demand for qualified specialists is increasing, which in turn increases the need to acquire an occupation. Consequently, the number of students entering vocational schools, colleges and universities is growing (see Graph 6.2 in annex).

Business knowledge and qualifications are of special importance to small enterprises, which make up some 90% of all Lithuanian companies. According to the research data, employers are not satisfied with the education of vocational school graduates. The majority of employers point out that the graduates of vocational schools are not ready to perform actual work, that they lack communication, independent activity and management skills. In other words, the employers are not satisfied with the quality of the training resulting from the curricula, the teachers' qualifications, the vocational counselling and guidance system, etc. Evidently, improvements need to be made in the development of occupational and vocational standards, certification and quality assurance systems, etc.

6.2 *Initial Vocational Training*

In Lithuania, initial vocational education and training is conducted in vocational schools (in total 107 schools, of which 37.4% are schools of agriculture) and colleges (in total 70 colleges, of which 18.6% are agricultural colleges). Colleges tend to regard their future in terms of non-university higher education, which has to be legitimised by the Law on Higher Education. The Ministry of Education and Science is responsible for forming and implementing initial vocational education and training policy.

From the very beginning of the reform of the VET system, many managerial functions have been delegated to the schools; thus, the efficiency with which projections are used and curricula chosen depends directly on the director and teaching staff of each school. The other major factor in the planning process is how "fashionable" occupations are, which does not necessarily coincide with the actual demand in the labour market.

Youth without education

Due to disturbances in the economy, many young people have not enrolled in any sort of training, and today they make up a large group (some 100 000) within the non-qualified labour force in society (current, 1998). Now the need to acquire a speciality is increasing (as has already been described). However, this is a difficult task for this group of young people, because they are not able to compete with the students who have just graduated from secondary schools, while the number of places in vocational schools is limited. To address this problem, a special state programme is required.

6.3 *Continuous and Adult Education*

According to research data, more and more employers are realising the importance of continuous education. For instance, some companies are changing their field of activities and are consequently planning to dismiss employees whose qualifications do not meet new requirements. In such cases the employment services offer employers the option retraining their staff instead of dismissing them. In 1998, 451 employers accepted this offer from the employment services, which is 1.5 times more than in 1997. At the same time, the distribution of job vacancies (Section 3.6) also encourages individuals to develop their skills: in 1998 the vacancies for non-qualified persons or persons with elementary occupations made up only 4.68% of all job vacancies. The statistical data in *Table 6.3* illustrate that the number of people of working age who upgrade their qualifications or attend retraining courses is increasing, although only slightly each year.

Table 6.3: Adult education 1995-1998

	1995	1996	1997	1998
Number enrolled, thous.	95	125	157	171
Percentage of total working age population	5	6	7	8
Of those enrolled, thous.:				
unemployed	...	15	24	27
females	68	72	77	90

Source: [24], 1998

Continuous vocational education in Lithuania covers adult education (both formal and informal), as well as the training of the unemployed or potential unemployed (as described in Section 6.4). Today continuous education is conducted at various educational institutions: vocational schools and colleges, labour market training centres, courses arranged by different companies and enterprises, courses started by private initiative, etc. The state does not support vocational training, the upgrading of qualifications or the retraining of adults employed in sectors other than the state sector. However, anyone may seek to upgrade their qualifications using their own or their employer's funds. Considering the fact that more than 70% of employees are employed in the private sector,[3] we may conclude that: (1) the state does not pay enough attention to the education of adults; (2) there is no VET system for employees. It must be pointed out that because of the low standard of living, people often take courses that are not officially registered (their costs are lower).

6.4 *Training of the Unemployed*

The Law of the Republic of Lithuania on Support to the Unemployed (1990) specifies that the state guarantees: free vocational career advice and consulting services and information about vacant jobs; free services of the employment services in finding a job; free vocational training for the unemployed; opportunity for the unemployed to be engaged in public works and works supported by the Employment Fund; unemployment benefits.

The training of the unemployed is funded by the Employment Fund (as described in Chapter 8). Labour market training is the responsibility of the Ministry of Social Security and Labour.

The state pays much attention to the development of vocational training for the unemployed: the training of the unemployed, as a specific activity of the employment system, has been given legal status by the Law on Support to the Unemployed; the National Employment Service and the

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[3] This is also confirmed by the analysis presented in the report "Continuous Education in Lithuania". The report was commissioned by the European Training Fund and prepared by the National Observatory in 1998.

Employment Fund have been established; and the Lithuanian Labour Market Training Authority (subordinate to the Ministry of Social Security and Labour) has been established, with the main purpose of designing and arranging vocational training for the unemployed. The interaction between the Employment Service and the Labour Market Training Authority is described in Chapter 7.

A network of 15 labour market training centres has been established for the training of the unemployed. In order to ensure higher quality training, the centres apply a modular training system, which is a new trend in the educational system of Lithuania. According to research, 7.1% of those registered as unemployed for a year took part in the vocational training courses in 1998 and of these 68.4% had employment after 3 months. Assessments of the quality of training indicate that the practical component is weaker than the theoretical. The main reason for this is the lack of resources available for the improvement of the technical basis. However, in our assessment, the labour market training centres operate efficiently.

According to Employment Service data, 16 100 unemployed persons participated in the vocational training and retraining programmes in 1998, which is 14% more than in 1997. Obviously, the number of unemployed persons engaged in vocational training programmes will increase due to the increasing demand for a qualified labour force. This means that more funds will be required to finance courses for upgrading qualifications.

7. Labour Market Institutions

7.1 *Government Bodies*

The labour market administration system in Lithuania consists of the Ministry of Social Security and Labour, the Lithuanian Employment Service and the Lithuanian Labour Market Training Authority (see Graph 7.1 in Annex).

The Ministry of Social Security and Labour is responsible for the formulation of employment and labour market policy. Taking into account economic and social conditions in the labour market, projections for unemployment, and financial resources, this Ministry establishes annual labour market objectives and tasks for the institutions subordinate to it: the Lithuanian Employment Service and Lithuanian Labour Market Training Authority.

The Public Employment Service

The Lithuanian Employment Service is a public institution the main function of which is to implement labour market policy measures and to provide employment services. The Lithuanian Employment Service consists of the National Employment Service (administrative body) and 46 Local Employment Offices.

Table 7.1: The Lithuanian Employment Service 1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998
Number of staff	246	379	643	846	1 017	1 091	1 115	1 174
Placements/staff ratio	99.2	81	67.2	40.0	48.7	54.2	63.5	62.0

Source: Ministry of Social Security and Labour

The service standards are at nearly the same level in the different offices, and there is little difference between the local offices. Special offices subordinate to local employment services have been established in large towns (Job Centres in Alytus and Klaipeda, a Youth Employment Centre in Vilnius, a Vocational Information Centre in Vilnius, etc.) in order to improve the services provided by the local employment services.

All employment services are joined up in a nation-wide computerised system covering all vacancies registered by employment services. The system was only established in 1998 and is constantly being improved.

Every year the Department of Labour and the Head Administration of the Lithuanian Employment Service check the quality and impact/effectiveness of the local labour offices. The results are compared, problems discussed and future activity planned. Every year a programme is made and implemented for Lithuanian Employment Service staff training.

The Labour Market Training Authority

The Lithuanian Labour Market Training Authority is an administrative body that has established six Territorial Labour Market Training Centres in the main Lithuanian cities: Vilnius, Kaunas, Klaipeda, Siauliai, Panevezys and Alytus. The functions of services are as follows:

- to collect information about regional professional training institutions and the labour market training they are able to provide;
- to collect information from the local employment services about the demand for labour market vocational training for the unemployed and employed;
- to prepare and implement regional labour market vocational training programmes;
- to study regional vocational training demand;
- to study the effectiveness of labour market training.

The territorial Labour Market Centres provide vocational orientation and consultation for the unemployed and employed.

There are 14 special purpose Closed Stock Companies, and two training schools which cooperate with foreign institutions that are subordinate to the Lithuanian Labour Market Training Authority.

Lack of cooperation between different institutions

The main problem in the existing institutions is the lack of collaboration, which is clearly observable at the local level. Although the Lithuanian Employment Service and the Lithuanian Labour Market Training Authority belong to the same Labour Department of the Ministry of Social Security and Labour, there is a lack of coordination, common measures and consultation during the process of preparing and implementing separate labour market policy measures at the local level.

In order to enable the labour market to function more efficiently, attention must focus in particular on improving the institutions' activities at a local level. This goal could be achieved by the following means:

1. Faster decentralisation of the labour market management. At this moment labour market management is rather centralised and local employment services are limited in their functioning.
2. More active drawing in of the social partners into labour market policy decision-making.
3. Integration of labour market policy with Lithuanian economic policy.
4. Introduction of a regional policy. At this time there is no regional policy in Lithuania. Some measures have been implemented at a regional level, but no system and corresponding co-ordination exist yet.

Although the system of labour market institutions is well developed there are many ways in which the functioning of the Employment Service in Lithuania could be improved.

Firstly, it must be noted that the Lithuanian employment services system is largely centralised and local employment services are not flexible enough to put into practice labour market policy measures.

Secondly, the financing of labour market policy measures is not stable enough to improve the employment services system (for a more detailed description, see chapter 7.2).

A further deficiency that must be noted is that a close relationship between the Employment Service and the municipality/local employers is not common in all areas. The Lithuanian labour market institutions' system provides insufficient opportunities for unemployed individuals to retrain and to improve their qualifications.

Private employment agencies

Besides the public employment service there exist private employment agencies in Lithuania. The total number of private agencies is about 60 (in 1998 more than 20 had been established in Vilnius). Private employment agencies can divide into three groups:

1. Employment agencies established in cooperation with foreign partners. Their clients are highly qualified specialists. They provide placement, consulting, staff selection and training services.
2. Employment agencies placing only highly skilled specialists.
3. Employment agencies placing specialists with less advanced skills as well as unskilled workers (especially in small sectors) in temporary and seasonal work.

Private employment agencies create some competitiveness for the public employment services, but more often they serve different sub-markets.

7.2 Labour Market Regulations

The changing socio-economic situation has required new legal regulation. During a historically short period of time (1991-1992), the following new basic laws regulating labour relations were passed: the Law on Employment (after January 1996, the Law on the Support of the Unemployed), and Laws on Population Income Guarantees, Collective Agreements, Trade Unions, Labour Contracts and Leaves.

The Law on the Support of the Unemployed

On the basis of the Law on the Support of the Unemployed, the economic, social and legal prerequisites were created for a free functioning of labour supply and demand. The population was guaranteed a free choice of employment sphere, profession, job and type of activity. The law also grants citizens the right not to work if this is what they wish.

The Employment Fund

The Law on Support of the Unemployed establishes the financing of labour market policy. It provides for labour market policy measures to be financed from the Employment Fund. The Ministry of Social Security and Labour manages the Employment Fund and informs the public about the uses to which it is put.

The procedures for establishing and using the Employment Fund are laid down and its budget is approved by the Employment Council at the Ministry of Social Security and Labour of the Republic of Lithuania. The Council is headed by the Minister or the Council member authorised by him. The Council consists of 15 equal members, giving equal representation to employees' and employers' organisations, and also to institutions of the public administration.

The actual financing of labour market policy measures differs considerably from the planned financing. This is because the amount of funds actually transferred to the Employment Fund differs considerably from the amount approved at the beginning of the year. The main reason for this situation is that for the last five years, the State Social Insurance Fund has not been able to collect the financial resources foreseen at the beginning of each year. Since the payment of old age pensions has priority, other social security benefits, allowances and expenditure are reduced.

Though the Law on Support of the Unemployed provides for subsidies from the state budget in building up the Employment Fund, in recent years the state budget has not transferred any Litas to the Employment Fund.

As we see in Table 7.2, the unemployment insurance contributions payable by employers and employees make up about 98% of the Employment Fund resources. The role of other means is very insignificant. There were no charitable contributions from legal and natural persons and no subsidies from the state budget, and the role of additional payments from employers and the income of the Employment Service is steadily diminishing. All social insurance contributions are accumulated in the State Social Insurance Fund for later distribution, including to the Employment Fund. From 1995 to 1998, the Employment Fund received 3.5–4% of resources accumulated in the State Social Insurance Fund.

Table 7.2: Reserves of the Employment Fund in 1995 - 1998 (in thousands)

	1995	1996	1997	1998
Assets balance at the beginning of the year	17019.0	2697.5	2732.8	872.7
Unemployment insurance contributions	53400.0	99078.3	110518.9	149000.0
Charitable contributions from legal and natural persons	0.0	0.0	0.0	0.0
Additional payments of employers*	39.6	10.8	5.0	0.0
The income of the Employment service**	1455.6	266.3	222.0	166.5
Subsidies from the state budget	0.0	0.0	0.0	0.0
Repaid loans that were granted***	1613.6	1676.5	1580.4	840.9
Total Employment Fund resources	**73527.8**	**104545.9**	**115059.1**	**150880.1**

**Penalties on employers provided for in Law on Support of the Unemployed*
***Distribution of literature and other services*
****Employment service loans for unemployed individuals to start own business*
Source: Information from the Ministry of Social Security and Labour

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7.3 Industrial Relations

The fall in public sector employment has diminished the role of the state. From the beginning of the transformation, Lithuania aimed to liberalise industrial relations as soon as possible, to increase the independence of employers and employees, and to reduce the influence of public administration. The restoration of private ownership and property restitution, the collapse of large enterprises and state-run collective farms, wide-ranging privatisation in the first phase and the emergency of new types of employment (such as self-employment) provided the conditions for new industrial relations. Appropriate legislation to make the formation of new relations possible was approved by the end of 1991, including laws on Guaranteed Income, Collective Bargaining Agreements, Trade Unions, Labour Contracts and Vacations. However, many workers were not prepared, either directly or through trade unions, to represent their own interests when forming relations with their employer. Between 1991 and 1993 wages and salaries were often not paid on time, compensations and benefits were not paid, work conditions and safety deteriorated, etc. Nevertheless, the employment situation improved significantly in 1993 when the State Labour Inspectorate began to operate.

At present, it may be said that further attempts are being made to liberalise industrial relations in Lithuania; however, the state exercises a certain controlling and supervisory function.

Tripartite system

The industrial relations system in Lithuania may be described as decentralised. It aims to promote social dialogue and negotiations.

The first Tripartite Commissions were established with the aid of the Lithuanian Employment Service in 1991. In May 1995, seeking to establish social partnership between the main labour market participants in order to resolve social, economic and labour problems and to promote social cohesion, the Government, trade unions and employer organisations agreed:

- to form a Tripartite Council;
- to sign a year-long agreement each year regarding the resolution of socio-economic problems and labour and industrial relations.

In 1995 such an agreement was signed by the Prime Minister, representatives of four major trade unions and two employer organisations. However, it must be noted that a social partnership is often developed "from above" in Lithuania, due to the insufficient level of workers' participation. The role of social partnership in Lithuania differs from that in Western European countries. There are neither strong employers' organisations, nor employees' organisations at a local level. Local trade unions are very weak and passive. Employers (especially in the regions) are not well organised and socially active. At the same time, the Government does not pay enough attention to social partnership. For eight years, no special training or seminars were organised; there are no special publications; the activities of tripartite commissions on various levels are not coordinated.

In future, in collaborating with the European Structural Funds and in implementing regional policy in the country, the active participation of the social partners will be essential in order to efficiently distribute financial resources and to allay conflicts between separate groups of the population.

8. Labour Market Policies

After 1947, when the employment service system was abolished in Lithuania, unemployment as a social economic phenomenon officially did not exist in Lithuania. Therefore, when a labour market policy began to be developed, our specialists lacked knowledge and special training. In these circumstances, the conventions and recommendations of the International Labour Organisation, and assistance provided by Germany, Denmark, Sweden and the EU Phare Programme, were utilised to the full. This allowed a functional and modern system of public labour market institutions to be established, and labour market policy measures and mechanisms that were effective in other European countries to be adapted to our conditions.

According to evaluations by foreign experts,[4] mechanisms regulating the labour market that function rather well and that correspond to international standards and to the level of development in the country are already in place. The measures and institutions are being continually adapted to the changes in the social economic situation in the labour market. Labour policy programmes are being expanded, and new forms of approaches are being sought in the work with the unemployed and employers.

In 1996, the Law on the Support of the Unemployed was supplemented by new provisions which call for the stimulation of activity and initiative on the part of the unemployed when looking for a job, and also when changing and improving occupational skills.

Many attempts are being made to integrate labour market and employment policy into the mechanisms for the economic development of the country. In 1998, labour market policy was restricted to the activities of the Ministry of Social Security and Labour. Other public administration institutions paid very little attention to the problem. At present an attempt is being made to harmonise measures aimed at restructuring the economy with the goals and tasks of employment and labour market policy. If necessary, specific national economic and social programmes will be developed and implemented to influence the employment of the population.

8.1 *Passive Labour Market Measures*

Unemployment benefits

The employment services extend and pay unemployment benefits to the unemployed. The benefit is payable on a monthly basis but for no more than 6 months in any 12-month period. Periods in which an unemployed individual has worked in public works or performed work financed from the Employment Fund or has been enrolled in a vocational training programme are excluded from the period of entitlement to unemployment benefits.

For individuals who are close to retirement age (within five years of becoming eligible to receive a full old-age pension), the payment of unemployment benefits is extended for two months more.

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[4] See e.g. evaluations by ILO, the World Bank, Sida.

The level of the unemployment benefit depends on the unemployed individual's state social insurance record and the reasons for loss of work. In the case of persons who have left a job on their own initiative or have been dismissed for misconduct, a 3-month waiting period is required to become eligible for unemployment benefits. The level of the unemployment benefit does not depend on the wages or salary earned before losing a job. This is contrary to social insurance principles and does not follow ILO recommendations or the practice of many European countries.

In no case may the unemployment benefit be less than the state supported income approved by the Government, nor may it exceed the sum of two MLS ("minimum living standard," a theoretical quantity that has nothing to do with minimum expenditures for one family member in our country; this quantity is used only to calculate social payments within the possibilities of the budget).

In 1998 the minimum unemployment benefit was 135 Litas (about USD 34) and the maximum was 250 Litas (about USD 63).

On average only 20-30% of the unemployed registered at local employment services in Lithuania receive unemployment benefits. In 1998 unemployment benefits were paid to only 26% of the unemployed registered during the year. The average duration of unemployment benefit payments is 4.7 months.

Qualifying conditions for benefits

By law, individuals of working age who are capable of work and are out of work are considered to be unemployed if they are not full-time students at educational institutions and have registered with the national employment service at their place of residence as persons looking for jobs and ready to go into vocational training.

Unemployed individuals with at least a 24-month state social insurance record within the three years immediately preceding their registration with the employment service are entitled to unemployment benefits provided that the employment services have not offered them either employment suiting their particular skills and state of health, or an opportunity for vocational training.

Unemployed individuals who lack the state social insurance record which would entitle them to unemployment benefits, as specified in the Law on the Support of the Unemployed, become entitled to benefits following their placement by the employment services in public works or works financed from the Employment Fund, or on completion of vocational training within 12 months of registering with the employment services. This is on condition that the total duration of the work and studies period is no less than 180 calendar days, or that its duration makes up the time period they still lack for the required state social insurance record, if this is no more than 180 calendar days.

Table 8.1: Total unemployed with unemployment benefits in 1991-1998(in thousands)

	1991	1992	1993	1994	1995	1996	1997	1998
Total	**6531**	**20899**	**53253**	**43702**	**82288**	**68340**	**58186**	**53908**
% of registered	11.8	16.7	34.4	33.0	38.5	37.2	30.1	26.4

Source: Ministry of Social Security and Labour

8.2 *Active Labour Market Measures*

Active labour market measures play an important role in Lithuanian labour market policy. First, different placement possibilities are offered a person applying to the local employment services, then active labour market policy measures are proposed, and only after this are unemployment benefits paid. As mentioned above, the Employment Fund has not received advance allocations for the last five years. For this reason, financing for active labour market policy measures has decreased and more resources have been put into passive labour market policy measures (unemployment benefits) than into active measures. Approximately 50% of the Employment Fund budget is spent on passive measures and only about 30% on active measures.

All active labour market policy measures may be divided up into the following programmes:

1. preservation of jobs (preventive retraining and the temporary suspension of the dismissal of employees);
2. employment support measures (public works, especially for people in rural areas and the long-term unemployed, works supported by the Employment Fund, especially for the handicapped, new jobs, especially for young people and people in occupations for which there is little demand, and loans for starting private businesses);
3. vocational training and retraining;
4. the matching of labour supply and demand (placement in temporary work, job vacancy placement, placement according to job quotas, the employment of citizens abroad according to inter-governmental agreements);
5. job clubs.

During the period of training for the unemployed, individuals are paid a training allowance 1.3 times the unemployment benefit received, but not exceeding 2 Minimum Living Standards (about USD 63).

Unemployed individuals who were not entitled to unemployment benefits prior to their placement in training, are paid the training allowance, which is equivalent to the state supported income (about USD 34). Employment Fund resources are used to finance the vocational training of unemployed individuals and to pay the unemployed individuals' training allowance for a maximum period of 6 months. In certain cases, where vocational training lasts longer, the financing of vocational training and the payment of a training allowance for the unemployed may be extended for up to 10 months at the proposal of the tripartite commission at the employment service.

According to the Employment Support programmes, the Employment Fund is to be used for the creation of jobs or for the modification of existing jobs for the employment of unemployed individuals in job placements arranged by the employment services. To this end, the Employment Fund is to pay employers a lump-sum compensation:

- an amount of up to 24 minimum monthly wages per one work place intended for persons with disabilities;
- an amount of up to 12 minimum monthly wages per one work place intended for other unemployed individuals classed within the most socially vulnerable category.

Each year an attempt is made to involve more and more people in active labour market policy measures. 71 400 unemployed individuals were involved in labour market policy programmes in 1998, i.e. almost 35% of all the unemployed registered at local employment services. 30% of these did public works, 36% of them were involved in job club activities and 23% in vocational training programmes. Each year an average of 5-8% of unemployed individuals registered at local employment services are involved in vocational training programmes.

Table 8.2: Expenditures on Labour Market Policy 1992-1998

	1992	1993	1994	1995	1996	1997	1998
Total Expenditures (in thousand Litas)	**2980**	**21116**	**43219**	**70830**	**101813**	**114187**	**150601**
(% of GDP)	**0.09**	**0.19**	**0.25**	**0.29**	**0.32**	**0.30**	**0.35**
Share of total expenditures (%):							
■ Administration (institutions) of LMP	39	43	32	23	21	22	28
■ Passive LMP measures	27	34	25	46	51	43	34
■ Unemployment benefits	27	34	25	46	51	43	34
■ Active Employment Policy	34	23	43	31	28	35	38
of which:							
■ Subsidised employment	18.9	2.3	15.0	6.3	5.8	11.0	11.0
■ Training	6.3	12.3	19.6	19.6	17.3	18.5	18.2
■ Public works	0.2	2.2	3.0	2.9	4.0	4.8	8.2
■ Start of own business	8.6	6.1	5.4	2.2	0.8	0.5	0.3
■ Retention of jobs	0.0	0.1	0.0	0.0	0.1	0.2	0.3

Source: Ministry of Social Security and Labour

As already mentioned above, active measures have priority in labour market policy in Lithuania, but due to insufficient financing, expenditure on passive measures has often exceeded costs for financing active measures.

In 1998, for the first time in the last four years, more money was spent on active than on passive labour market measures (38% for active measures and 34% for passive). When Employment Fund expenditure is analysed, it may seem that much of the money is spent on financing labour market institutions. Here, we must note that about 1 500 people work in this system. Their wages and salaries are not very high, and their average wages and salaries do not exceed the national average. At the same time, it must be stressed that labour market institutions are still at the formative stage. Major repairs have been undertaken in many offices, and the premises have been adapted to the needs of the employment services. The same point applies to the institutions of the Labour Market Training Authority. In addition, the computer network at the labour market institutions has undergone regular improvements. In 1998, a unified database of available jobs (covering the whole territory of Lithuania) was created. It can be accessed from every employment service, and a part of it can also be accessed via the Internet.

In 1999, the Employment Fund plans to collect 201 million Litas, of which unemployment insurance contributions would account for 200 million Litas. According to plans, 45% of resources will be spent on active labour market policy measures and about 30% on passive measures (the total amount of money spent on unemployment benefits should increase by USD 2.5 million).

Summing up, we can say that the promotion of employment in Lithuania includes many different measures and schemes that are improved and supplemented every year using the experience of European countries and the interests of the unemployed individuals receiving support. In spite of the Government announcement giving active labour market policies priority, it was only in 1998 that expenditures on active measures finally exceeded expenditures on unemployment benefits.

Table 8.3: Active labour market measures targeting the unemployed in 1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998
Participated in active measures	414	3 708	17 340	25 771	32 903	41 317	51 382	71 381
Of them (in %):								
■ subsid. work places	12.8	3.3	3.6	2.8	0.6	1.1	1.7	1.5
■ training	67.2	51.0	51.2	55.6	43.3	30.3	27.6	22.6
■ job clubs	-	-	-	-	19.1	32.5	36.1	35.9
■ public works	12.3	18.1	32.7	32.0	31.5	26.4	23.5	30.1
■ supported works	-	-	-	-	-	6.0	9.3	7.6
■ start own business	7.7	24.6	7.2	5.0	1.7	1.4	0.3	0.2
■ job quota	0	3.0	5.3	4.6	3.8	2.3	1.5	2.1

Source: Lithuanian Employment Service

Since 1996, the Government has been paying more and more attention to measures to improve conditions for employment and the employability of the population. Part-time work is being stimulated, possibilities for the unemployed to participate in active labour market policy measures are increased (especially in training and public works), privileges for handicapped people are being projected, and so on.

Job creation

As mentioned in Chapter 2.2, it should be noted that Lithuanian Tax Law does not provide for tax privileges directly intended to promote employment and the establishment of jobs. However, the Government does support the active foundation of business consulting centres, provide subsidies to enterprises with structural problems (the crisis in Russia), and lend financial support for the improvement of the industrial infrastructure (roads, communications, energy).

Municipalities very often use the rights they are entitled to in the tax field in order to promote employment and establish new jobs.

The patent system is being constantly improved and broadened, which has had a great impact on small business development. It should be noted that various bureaucratic barriers limit the development of the patent system (requirements for different documentation, etc.), though these problems are gradually being solved.

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8.3 Wage Formation and Social Security

In order to estimate a replacement rate, we have used data on disposable income. In order to provide as much objective information as possible about the rate of unemployment benefits relative to other payments in Lithuania, we provide one further table (Table 8.4).

Table 8.4: Average and minimum monthly wage (in Litas), old age pension and unemployment benefit (in % of average or minimum wage) in 1995 – 1998

	1995	1996	1997	1998
Average monthly wage	478.9	621.1	785.5	923.4
Minimum monthly wage	135.0	240.0	374.0	418.0
Average old age pension (% of average monthly wage)	31.5	31.0	30.9	31.1
Unemployment benefit (% of average monthly wage)	16.9	19.7	22.0	20.3
Unemployment benefit (% of minimum monthly wage)	60.0	51.0	46.3	44.9

Source: [24, 8], Social Insurance Fund Board information

Average unemployment benefits increased more than other payments, except the minimum monthly wage, during the period under investigation. From 1995 to 1998, the average unemployment benefit increased by 2.32 times, the average monthly wage by 1.93 times, the average old age pension by 1.9 times, and the minimum monthly wage by 3.09 times. We need to emphasise that while in 1995 the average unemployment benefit came to only 58% of the maximum unemployment benefit and 16.9% of the average monthly wage, in 1998 these ratios had improved. The average unemployment benefit came to 76% of the maximum unemployment benefit and 20.3% of the average monthly wage in 1998.

9. Conclusions

The restoration of independence and start of the transition to a free market economy resulted in a sharp decline in the Lithuanian economy. Since 1995, however, there has been observable growth in the economy and during the last three years, especially in 1997 and 1998, a positive development is obvious.

General economic development

The country has succeeded in achieving rather high rates of GDP growth (about 5% in 1998). According to calculations by the Ministry of Economy, in 1999 GDP will increase by 5.5%, in 2000 by 6.5%, and in 2001 by about 6%. Inflation has fallen sharply. In 1998, 12-month inflation (comparing December 1998 and December 1997) was lower than forecast (6% was predicted), coming to only 3.8%.

A crucial proportion of the employed population now works in the private sector (69% in 1998). The development of the *service sector* has changed the structure of the economy, making it more and more similar to the economic structure in the EU countries.

Foreign direct investments are steadily increasing. At the beginning of the fourth quarter of 1998, foreign direct investments amounted to USD 1 437 million (1 USD = 4 Litas). However, with respect to the scale of foreign investments, Lithuania is still lagging behind Poland, Estonia and Latvia.

Wages

Wages rose much more than previously in 1997 and 1998. In 1996, they increased by 4.1%, in 1997 by 12.6%. No exact data is available for 1998; however, preliminary calculations show that average wages increased by between 12.7 and 13.9%. With the strengthening of the economy in the country and the improvement of the financial situation, a further rise in average monthly wages is foreseen. There are great differences in wages in different branches of the economy. The average wage in agriculture was only 40% of the average wage in the whole economy in 1997. At the same time, wages and salaries in the field of monetary mediation exceeded the average wage by 120%.

Taxes, social security and income distribution

Currently, 20 kinds of taxes, contributions and duties are levied in Lithuania. The ratio of taxable income to GDP shows that the general tax burden is increasing. In 1997, 32.9% of GDP was redistributed through taxes. The ratio of taxable income to GDP in Lithuania is lower than in EU countries. However, the burden of taxes levied on taxpayers in Lithuania is high when we consider that GDP per capita in Lithuania is still low compared to EU countries. GDP per capita in Lithuania estimated with reference to purchasing power parity was USD 4 014 in 1995. Thus, this indicator in Lithuania comes to only about 30% of the average in the EU.

Social assistance is provided taking into account the level of the family or individual income. The procedure for providing social assistance taking into account the level of income is designed to ensure that people of working age do not lose their interest in work.

According to a household income survey conducted by the Department of Statistics, the average total disposable income per household member per month reached nearly 390 Litas (about USD 98) in 1998, having grown 3.2% in real terms in the course of the year. Of particular importance are the positive structural changes in income. There was a much greater increase (7.5%) in real monetary income, and the increase in real monetary income for rural households far exceeded that of the total increase in income (about 10% and 2% respectively).

Employment

Positive changes in the economy in 1996-1998 did not reduce the strain in the employment sphere. Since 1990, employment in Lithuania has developed under very complicated conditions. There have been, on the one hand, political and social changes, and on the other hand a transition in the economy. There have been significant changes not only in economic priorities, the range and scope of production, the flow of goods and raw materials, instruments, equipment and materials, but also, at the same time, in the status of the individual in the labour market. Since the transition of the economy has been very extensive, employment has also changed radically.

Developments in employment in Lithuania are characterised by a fall in total employment, a considerable increase in employment in the private sector, declining employment in the manufacturing sectors, and rising employment in agriculture and services. Further, we have seen the beginning and growth of unemployment, the appearance of unofficial employment and its increase (until 1996), and a decrease in internal commuting and in the number of people paying social insurance contributions (especially those employed in agriculture).

The main problems in the labour market today are: high employment in agriculture; a high share of the economically active population with an unclear labour market status (hidden employment and hidden unemployment); major regional differences in economic development and living levels; the lack of a regional policy; high youth unemployment; and the large share of unskilled persons registered at the local employment services.

Until 1996, employment in agriculture rose uninterruptedly. The main tendencies are:

- A great decrease in the employment of the rural population in non-agricultural sectors;
- An increase in the number of individual farmers, though the average area of farms is not large (about 14 hectares);
- A sharp fall in the general subsistence level of the rural population (young families with children are in a particularly difficult position);
- A steady decline in the number of people of working age among the rural population, and low territorial and professional mobility.

Hidden employment and hidden unemployment

The transition of the economy and incompleteness of the unemployment assistance system has had an impact on the number of people who have an unclear labour market status - hidden employment and hidden unemployment. During the period 1993-94, these categories of people accounted for about 25% of the economically active population. Since 1995 the Government has been taking active measures to reduce hidden employment and hidden unemployment. In 1998 about 12% of the economically active population had an unclear labour market status.

Until 1990 a large share of the population from the different regions managed to find jobs in the major cities. However, after large enterprises collapsed and internal travel costs rose, the internal commuter mobility of the population in the regions decreased significantly. This has had a direct impact on territorial employment differentiation. Although Lithuania is not a big country, separate areas differ by a factor of 5 to 10 in terms of per capita investments or incomes. The lack of a regional policy in Lithuania increases still more the economic and social differences between the regions. There is a lack both of the financial resources and the know-how to achieve a regional policy, as well as an absence of necessary co-ordination of actions between competing institutions and different management levels.

The need for new VET policies

The absence of a clearly defined policy for the creation of jobs in rural areas complicates the development of regional vocational schools and colleges, as the main problem for them is what kind of specialists to train. To solve this problem, sectoral and regional analysis and the creation of a regional VET policy are needed.

One of the negative trends is a high share of young people in the total number of unemployed individuals. According to data from the labour force survey in 1998, the unemployment of young people decreased slightly, coming to 25.2%.

The share of unemployed individuals with non-marketable professional backgrounds is growing. In terms of the level of labour force demand, we may point out that the demand for unqualified labour is falling, and that specialists in new professions or with high occupational skills are in great demand.

The demand for qualified specialists is increasing, which in turn increases the need to acquire an occupation and consequently boosts the number of students entering vocational schools, colleges and universities.

More and more employers realise the importance of continuous education and the number of people of working age who undergo upgrading of their qualifications or retraining courses is increasing, although slightly, every year. It should be mentioned that the strategy for the development of the continuous vocational education system is rather poor in Lithuania.

The majority of employers point out that the graduates of vocational schools are not ready to perform actual work, that they lack communication, independent activity and management skills. This means that it is essential to ensure the quality of vocational education and training.

The difficult economic situation of the country, the imperfect system of taxation, and a lack of definition in the Lithuanian economy are all factors that impede the development of companies. Falling receipts restrict the ability of companies to take responsibility for the qualifications of their staff.

The necessary legal and social-economic prerequisites have been established for the free functioning of labour supply and demand under market conditions. Laws guarantee the individual's right to freely choose a sphere and type of employment, profession, job and type of activity.

Employment policies

Lithuanian labour market policy follows the provision that, as the labour market develops and the social partners (and their organisations) become stronger, the influence of non-governmental institutions upon the formation and implementation of labour market policy should gradually increase. Labour market policy in Lithuania is oriented not towards the financial support of the unemployed, but towards supporting their employment.

In general terms it must be noted that during the period 1990-98, the economy and labour market in Lithuania changed completely. During the period 1996-98, the economy was successfully stabilised, conditions for the functioning of market mechanisms were created, and social guarantees for citizens were ensured. However, in the employment and labour market spheres many problems remain unsolved (regarding the major problems of unemployment protection, see text in Annex). A rather small amount of money is allocated to labour market policies in Lithuania (about 0.35% of GDP in 1998). At the same time, employment regulation policy is limited to the activities of the Ministry of Social Security and Labour, with no active participation of other Ministries. The lack of a regional policy enlarges differences between the separate areas.

Arrangements for collaboration with the ESF have shown that the decision-making administration at different levels (national, provincial, regional-municipal) lacks specialised education, knowledge and information. For this reason, the first ESF projects, intended to start in January 2000, may prove insufficiently effective. More attention needs to be devoted to analysing the situation and preparing specialists (in the local society) in order to make the measures taken more adequate to the goals set.

In order to make employment and regional policy more effective, actions need to be co-ordinated at both national and municipal levels as well as on the micro-level. At present, these levels are functioning separately without adequate co-ordination and common goals. Collaboration with the ESF could improve the situation in this sphere and encourage more equal development in different areas and regions in Lithuania.

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Interviews

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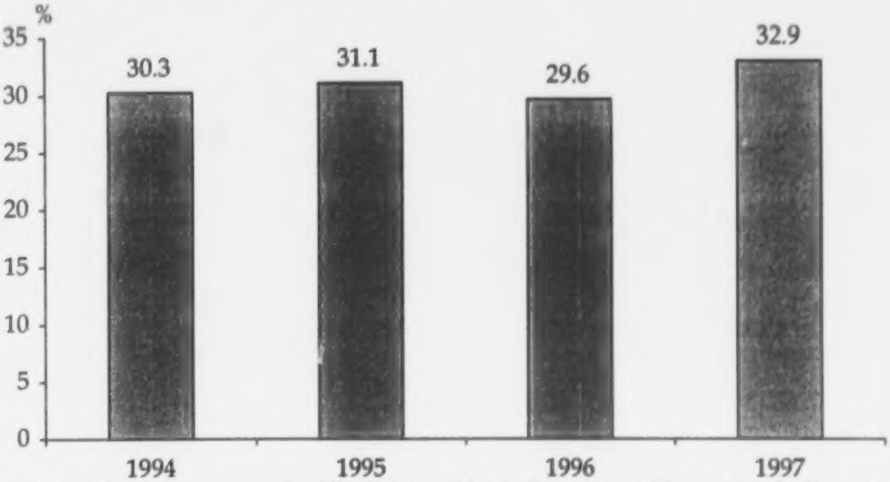
Labour Market Situation in Lithuania (Chapter 2)

Graph 2.1: Ratio of Taxable Income to GDP in 1994-1997



Estimations were done with reference to annual publications issued by the Department of Statistics to the Government of the Republic of Lithuania: "Finances of the State Administration Institutions in the Republic of Lithuania".

Table A 2.1: Lithuanian Foreign Trade (million Litas)

	Exports	Imports	Balance
1993	8707	9798	-1091
1994	8087	9355	-1278
1995	10820	14594	-3774
1996	13420	18235	-4815
1997	15342	22382	-7040

Source: [8].

Table A 2.2: Taxes and Social Security Contributions 1991-1998

Taxes	1991	1992	1993	1994	1995	1996	1997	1998
1. Tax on individual income:								
non-taxed minimum income (at an average per month), applied at the main job, in Litas	1.57	10.0	23.8	115.0	137	178	191	212
rate (%) at the main job	18,20,24,28,33				33			
rate (%) at the additional job	18,20,25,30,33				10,20,35			
2. State social insurance payments:								
(%) employer	30							
(%) employed	1							

Source: [15].

*Table A 2.3: Consumption Expenditure Pattern 1991-1998 (%)**

Consumption expenditure	Year							
	1991	1992	1993	1994	1995	1996	1997	1998**
Food	34.2	55.6	61.7	57.0	57.4	55.2	52.2	49.2
Alcoholic beverages and tobacco	4.9	2.7	2.9	2.5	2.4	3.7	3.8	4.0
Clothing and footwear***	42.2	25.6	10.6	10.3	8.1	7.8	7.7	7.6
Rents, fuel and power	...	...	9.9	13.0	14.6	11.8	12.3	12.2
Household equipment and operation****	7.9	9.3	2.6	2.9	2.8	3.6	3.9	4.6
Medical care and health services	...	...	1.2	1.7	1.9	2.6	3.1	3.6
Transport	...	...	6.0	6.4	6.7	5.2	6.6	6.7
Recreation, leisure and entertainment	...	...	2.5	3.0	2.8	6.8	6.9	5.5
Other goods and services	10.7	6.8	2.6	3.2	3.3	3.2	3.6	6.6
Total:	**100.0**	**100.0**	**100.0**	**100.0**	**93.9**	**100.0**	**100.0**	**100.0**

*Source: [24]; * - 1991-1995 and 1996-1998 different methods of household budget survey had been applied. That is why data of mentioned above surveys are not comparable. ** - Only I and III quarter data are presented for 1998 year . *** 1991-1992 -- "Goods except food". **** 1991-1992 – "Services"*

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Employment (Chapter 3)

Table A 3.1: Employed population by activity in1992-1997, in thousands

	1992	**1993**	**1994**	**1995**	**1996**	**1997**
	1855.2	**1778.2**	**1675.0**	**1643.6**	**1659.0**	**1669.2**
Agriculture, hunting and forestry	362.3	399.3	390.1	390.0	399.1	363.0
Fishing	1.5	1.5	1.4	1.8	1.6	1.7
Mining and quarrying	6.0	4.0	4.0	3.9	3.5	3.3
Manufacturing	498.9	419.6	335.8	302.3	288.2	289.3
Electricity, gas and water supply	30.5	33.4	37.7	42.3	42.3	41.4
Construction	169.4	126.8	110.9	114.7	119.1	118.7
Wholesale and retail trade, repair of motor-vehicles, motorcycles and personal and household goods	178.8	171.8	224.1	210.9	211.5	251.5
Hotels and restaurants	18.6	19.1	21.7	18.7	18.1	21.5
Transport, storage and communication	124.0	99.9	92.1	95.1	94.8	92.6
Financial intermediation	14.4	21.2	25.4	20.6	17.0	16.8
Real estate, renting and business activities	42.5	39.6	36.7	36.8	40.4	40.8
Public administration and defence; compulsory social security	49.9	56.6	59.6	67.6	68.8	68.8
Education	137.9	136.4	140.3	142.3	147.0	149.2
Health care and social work	103.2	95.8	98.2	102.6	102.9	106.6
Other community, social and personal service activities	117.3	153.2	97.0	94.0	104.7	103.2
Activity of private households with paid personnel	---	---	---	---	---	0.8

Sources: [6,7,8].

Table A 3.2: Number of working age population by provinces (at the beginning of the corresponding year)

	1989	1996	1997	1998
Total	**2091707**	**2110644**	**2121825**	**2135430**
Alytus province	106159	110706	111514	112374
Kaunas province	439579	439194	441035	443323
Klaipeda province	235575	238236	239263	240975
Marijampole province	102877	105701	106591	107458
Panevezys province	174178	178080	178959	179638
Siauliai province	219947	222153	223885	225926
Taurage province	65605	68952	69435	69992
Telsiai province	94053	99364	100129	100878
Utena province	108064	109350	110445	111093
Vilnius province	545670	538908	540569	543773

Sources: [23] and Lietuvos gyventojø sudetis pagal amziu apskrityse, miestuose ir rajonuose 1996-1998 metu pradzioje (Population structure in Lithuania by age). Vilnius, 1996, 1997, 1998;

Table A 3.3: Number of working age men by provinces (at the beginning of the corresponding year)

	1989	1996	1997	1998 m.
Total		**1084584**	**1087387**	**1091808**
Alytus province	55013	58394	57138	57461
Kaunas province	222471	226003	220995	221697
Klaipeda province	122611	126570	123410	123998
Marijampole province	54524	56800	55529	55784
Panevezys province	89125	93227	91255	91519
Siauliai province	112419	116777	114495	115295
Taurage province	34486	36997	36171	36360
Telsiai province	48668	52430	51286	51561
Utena province	57265	58818	57724	57886
Vilnius province	282009	285325	279385	280247

Sources: [23] and Lietuvos gyventojø sudetis pagal amziu apskrityse, miestuose ir rajonuose 1996-1998 metu pradzioje (Population structure in Lithuania by age). Vilnius, 1996, 1997, 1998;

Table A 3.4 Farmers' farms founding in 1990-1997

At the beginning of the year	Number of farmers' farms (in thousands)	Their land area (in thousands ha)	Average size of farm (ha)
1990	1.2	...	...
1991	2.9	48.7	16.9
1992	5.1	86.4	170
1993	25.9	272.6	10.5
1994	26.1	288.4	11.0
1995	53.0	498.6	9.4
1996	56.4	569.6	10.1
1997	67.7	792.1	11.7

Source: [26].

Table A 3.5: The number of registered at the Register farmers' farms by province (1997)

Provinces	Number of farms	Land area (in thousands ha.)	Average size of farm (ha)
Alytus	2824	30.1	10.6
Kaunas	8760	96.3	11.0
Klaipeda	7566	81.4	10.8
Marijampole	3355	48.6	14.5
Panevezys	9089	10.6	12.1
Siauliai	5222	90.2	17.3
Taurage	6163	71.0	11.5
Telsiai	7263	85.1	11.7
Utena	7442	89.3	12.0
Vilnius	6193	60.8	9.8

Source: [26].

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Table A 3.6: Demand for Labour Force in Lithuanian Provinces, I half of 1997-1998

Provinces	New vacancies registered					Number of vacancies
	I half of 1997	I half of 1998	Difference (+/-)	Out of them I half of 1998		
				For the specialists		
				Number	%	1998.07.01
IN COUNTRY	29681	41052	11371	10071	24.5	2966
Alytus	1705	2558	853	471	18.4	185
Kaunas	5085	5729	644	1468	25.6	775
Klaipeda	3383	4111	728	1208	29.4	61
Marijampole	1258	2018	760	361	17.9	15
Panevezys	2648	4845	2197	838	17.3	191
Siauliai	4070	5789	1719	1141	19.7	329
Taurage	1306	1434	128	272	19.0	5
Telsiai	1984	2597	613	694	26.7	77
Utena	1522	2294	772	403	17.6	136
Vilnius	6720	9677	2957	3215	33.2	1192

Source: Labour exchange information

Table A 3.7: Demand for Specialists according to Economic Activities. New Vacancies registered at the Lithuanian Local Labour Exchanges during I half of 1998

Types of economic activities*	Number of vacancies	%
Agriculture, hunting, forestry and fishing	**272**	**3.3**
Construction	**474**	**5.8**
Services	**5206**	**63.2**
Including:		
■ Wholesale and retail sale; repairs of cars and motorcycles	1869	
■ Hotels and restaurants	239	
■ Transport, warehousing and communications	579	
■ Financial mediation	122	
■ Real property, lease and other commercial activities	455	
■ State governing and defence, compulsory social insurance	526	
■ Education	785	
■ Health and social work	508	
Industry	**2284**	**27.7**
Including:		
■ Manufacturing industry	2161	
■ Production of foodstuffs, drinks and tobacco	568	
■ Production of textile goods and woven goods	333	
■ Production of leather and leather goods	61	
■ Production of wood and wood products	217	
■ Production of cellulose, paper and paper goods, publishing and printing	103	
■ Production of chemical materials, products and artificial fabric	63	
■ Production of rubber and plastic goods	71	
■ Production of metal and ready-made metal goods	406	
■ Production of electricity and optical equipment	237	
■ Supply of electricity, gas and water	111	
Total	**8236**	**100**

*Source: Labour exchange information. * Table shows economic activities where 50 and more vacancies have been registered.*

Labour Force Participation (Chapter 4)

Table A 4.1: Total population by age groups in 1989, 1995-1998 (in thousands)

Age	1989	1995	1996	1997	1998
Total	**3674.8**	**3717.7**	**3711.9**	**3707.2**	**3704.0**
0-4	295.3	251.3	236.2	219.6	204.7
5-9	273.7	291.8	289.0	285.1	277.0
10-14	263.1	271.6	276.8	282.5	289.5
15-19	280.7	260.4	260.7	261.9	262.8
20-24	279.6	283.7	279.0	271.1	264.2
25-29	312.0	282.1	279.1	281.9	283.9
30-34	277.6	307.6	303.8	295.8	288.0
35-39	245.6	270.4	280.7	291.4	301.6
40-44	210.6	238.0	237.4	239.2	243.2
45-49	226.7	202.5	212.4	215.8	222.6
50-54	220.3	216.9	208.5	207.1	198.9
55-59	211.4	206.7	207.2	205.0	204.9
60-64	186.9	194.7	191.9	190.6	192.1
65-69	132.8	165.9	168.5	171.5	173.9
70 +	258.5	274.1	280.7	288.7	296.8

Source: [23,24].

Table A 4.2: Education of employed population in Lithuania (1989,1994, in thousands)

Education / ISCED level	1989			1994		
	Total	Total in %	Women	Total	Total in %	Women
Total	**1901.2**	**100**	**918.5**	**1655.7**	**100**	**825.1**
Higher / (level 6)	275.2	14.5	146.5	297.0	17.9	172.1
Not finished higher / (4)	28.6	1.5	15.1	...	...	...
College / (5)	...	...	...	434.3	26.2	265.2
Vocational / (3)	497.5*	26.1*	274.8*	348.7	21.1	115.1
Comprehensive / (3)	591.1	31.1	264.2	368.9	22.3	185.2
Basic / (2, 1)	477.3	25.1	201.9	206.8	12.5	87.5
No education	31.5	1.7	16.0	-	-	-

*Sources: [4,23]; * Special secondary.*

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Table A 4.3: Employment rate of 14-64 years old population by education in 1989

Education / ISCED level	14-64 years old population	Employed	Employ-ment rate	Male 14-64 years old	Male employ-ment	Male employ-ment rate	Female 14-64 years old	Female employ-ment	Female employ-ment rate
Total	**2303862**	**1901201**	**75.9**	**1206470**	**982683**	**81.4**	**1297392**	**918518**	**70.8**
Higher / 6	291343	275191	94.5	131657	128659	97.7	159686	146532	91.8
Not finished higher / 4	50186	28558	56.9	22233	13500	60.7	27953	15058	53.9
College / 5	540321	497524	92.1	233966	222748	95.2	306355	274776	89.7
Secondary (without vocational) / 3	702912	591089	84.1	369493	326919	88.5	333419	264170	79.2
Secondary (with vocational) / 3	-	-	-	-	-	-	-	-	-
Nine (eight) years (without vocational) / 2	498973	278139	55.7	268160	165914	61.9	230813	112225	48.6
Nine (eight) years (with vocational) / 2	-	-	-	-	-	-	-	-	-
Basic, no education / 1; 0	420127	230700	54.9	180961	124943	69.0	239166	105757	44.2

Source: [23].

Table A 4.4: Employment rate of 14-64 years old population by education in 1997

Education / ISCED level	14-64 years old population	Employed	Employ-ment rate	Male 14-64 years old	Male employ-ment	Male employ-ment rate	Female 14-64 years old	Female employ-ment	Female employ-ment rate
Total	**2512.8**	**1563.9**	**62.2**	**1215.9**	**823.0**	**67.7**	**1296.9**	**740.9**	**57.1**
Higher / 6	357.9	311.7	87.1	154.6	141.5	91.5	203.3	170.2	83.7
Collage / 5	530.2	403.8	76.2	233.0	189.6	81.4	297.2	214.2	72.1
Secondary (without vocational) / 3	633.7	367.2	57.9	280.9	183.0	65.1	352.8	184.2	52.2
Secondary (with vocational) / 3	267.8	197.1	73.6	160.9	127.5	79.2	106.9	69.6	65.1
Nine (eight) years (without vocational) / 2	399.7	149.8	37.5	216.5	91.1	42.1	183.2	58.6	32.0
Nine (eight) years (with vocational) / 2	89.8	61.9	68.9	66.4	50.7	76.4	23.4	11.2	47.9
Basic, no education / 1; 0	233.7	72.4	31.0	103.7	39.6	38.2	130.0	32.8	25.2

Source:[4].

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Table A 4.5: Number of employed population by provinces and by towns and activities in 1995-1997

	Total			A-B Agriculture			C-E Industry			F Construction			G-Q Services		
	1995	1996	1997	1995	1996	1997	1995	1996	1997	1995	1996	1997	1995	1996	1997
Total	**1643.6**	**1659.0**	**1669.2**	**390.0**	**399.1**	**363.0**	**348.5**	**334.0**	**334.0**	**114.7**	**119.1**	**118.7**	**790.4**	**806.8**	**853.5**
Alytus province	79.8	80.5	84.1	25.8	19.9	17.9	19.3	22.2	21.6	5.6	6.2	5.5	29.1	32.2	39.1
Alytus	30.3	30.6	35.5	0.0	0.0	0.0	16.0	18.6	18.3	2.9	3.1	2.9	11.4	8.9	14.3
Kaunas province	322.9	325.9	334.1	65.9	66.6	62.9	76.0	80.0	72.3	25.4	27.5	26.9	155.6	151.8	172.0
Kaunas	188.7	190.5	185.9	0.2	0.1	0.3	57.4	58.4	52.4	16.4	18.8	18.7	114.7	113.2	114.5
Klaipeda province	187.6	189.4	187.5	29.6	29.6	26.6	36.9	34.2	31.1	14.0	13.8	13.8	107.1	111.8	116.0
Klaipeda	104.3	105.3	104.5	0.2	0.1	0.1	29.3	25.6	22.9	7.7	7.6	7.8	67.1	72.0	73.7
Marijampole province	79.9	80.7	80.6	34.1	33.5	30.2	12.0	14.0	13.3	5.0	4.9	4.7	28.8	28.3	32.4
Marijampole	17.5	17.7	18.3	0.1	1.8	0.3	7.3	8.0	8.0	2.5	2.5	2.8	7.6	5.4	7.2
Panevezys province	149.7	151.1	146.0	48.5	48.3	43.5	31.9	37.9	32.6	9.5	9.8	9.1	59.8	55.1	60.8
Panevezys	56.1	56.6	58.9	0.0	2.8	0.1	24.3	29.4	24.5	4.8	5.1	5.1	27.0	19.3	29.2
Siauliai province	178.7	180.4	178.8	54.8	58.7	53.6	28.4	28.7	25.6	11.6	10.3	9.9	83.9	82.7	89.7
Siauliai	68.4	69.0	71.2	0.2	2.2	0.2	17.7	17.0	15.4	6.6	6.0	6.2	43.9	43.8	49.4
Taurage province	52.0	52.5	52.3	19.3	21.4	19.3	5.4	4.8	4.7	2.4	2.2	2.0	24.9	24.1	26.3
Telsiai province	76.1	76.8	76.5	18.3	18.6	16.7	18.6	18.6	18.7	6.5	7.9	7.2	32.7	31.7	33.9
Utena province	88.8	89.6	88.9	31.1	28.8	25.9	17.1	13.2	17.8	9.1	8.6	8.5	31.5	39.0	36.7
Vilnius province	428.1	432.1	440.4	62.6	73.7	66.4	102.9	80.4	96.3	25.6	27.9	31.1	237.0	250.1	246.6
Vilnius	315.6	318.6	319.2	0.6	3.5	6.4	88.6	64.4	83.7	18.5	21.0	24.5	207.9	229.7	204.6

Sources: [6].

Table A 4.6: Ethnical composition of the population in regions in 1989 (selected regions, in %)

	Lithuanians	Polish	Russians	Belarussians	Other
Ignalinos	39	8	39	8	6
Jonavos	77	2	17	1	3
Ðalèininkø	9	80	6	4	1
Ðvenèioniø	53	30	11	5	1
Trakø	58	24	12	4	2
Vilniaus	20	63	8	4	5
Zarasø	69	7	21	1	2

Source: Tautines mazumos Lietuvos Respublikoje, Vilnius, 1992 (Ethnical Minorities in Lithuania).

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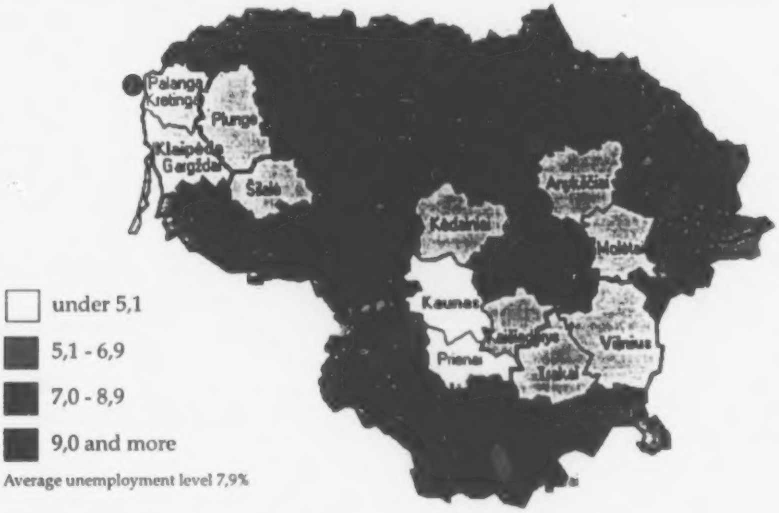
Unemployment (Chapter 5)

Map 1: Unemployment level by region in Lithuania, April 1999 (%)*



* *Labour Exchange data*

Table A 5.1: Unemployment rate by region in 1992-1998 (%)

Regions	1992 01.01	1993	1994	1995	1996	1997	1998 end
Total	**0.3**	**4.4**	**3.8**	**6.1**	**7.1**	**5.9**	**6.9**
Alytaus	0.3	4.8	4.6	8.2	7.8	6.1	6.9
Druskininku	1.5	5.2	6.9	11.4	14.3	9.7	13.9
Lazdiju	0.2	3.3	4.5	10.2	10.5	12.0	15.5
Varenos	0.6	3.8	3.1	6.0	8.2	5.1	7.4
Kauno	0.2	2.3	1.4	4.0	5.0	3.7	4.4
Jonavos	0.2	9.0	9.1	13.0	13.7	8.3	12.7
Kaisiadoriu	0.1	7.0	3.2	5.3	3.9	4.1	4.6
Kedainiu	0.3	3.9	2.6	3.5	4.9	3.4	4.3
Prienu	0.1	3.8	2.3	3.9	3.4	2.7	3.3
Raseiniu	0.2	7.8	6.8	10.0	9.8	8.5	8.5
Klaipedos	0.3	2.3	2.4	3.9	5.2	4.2	4.5
Palangos	0.6	8.4	6.4	7.6	8.2	6.2	9.6
Kretingos	0.3	5.0	3.4	6.8	5.8	4.2	5.6
Skuodo	0.3	8.1	10.1	9.6	9.6	7.4	8.9
Silutes	0.1	9.3	9.4	14.4	12.8	7.7	8.7

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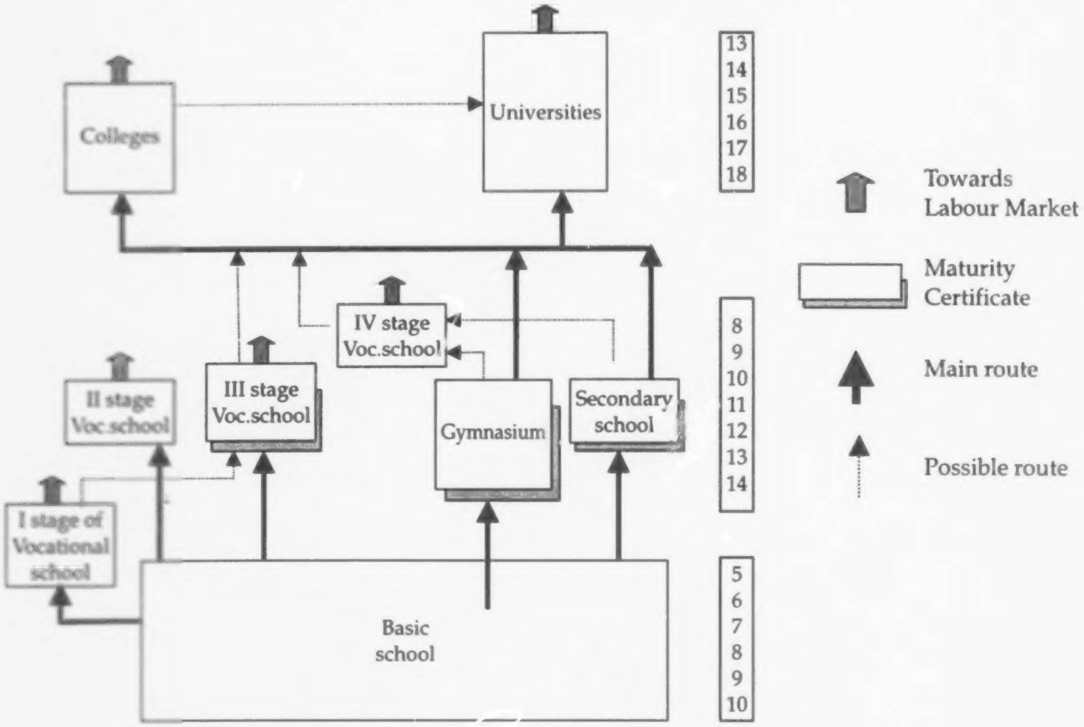
Regions	1992 01.01	1993	1994	1995	1996	1997	1998 end
Marijampoles	0.2	2.7	2.0	6.2	6.8	6.2	8.2
Sakiu	0.1	4.5	3.1	4.7	4.9	4.8	9.2
Vilkaviskio	0.3	3.5	2.4	5.2	5.1	6.2	9.8
Panevezio	0.3	6.2	5.6	6.5	7.3	7.3	9.8
Birzu	0.4	5.6	3.6	5.0	5.2	3.6	6.4
Kupiskio	0.3	4.9	3.2	4.3	3.9	4.1	6.5
Pasvalio	0.3	2.6	2.5	3.0	3.7	4.7	8.6
Rokiskio	0.5	5.7	4.8	7.8	6.9	5.9	6.9
Siauliu	0.4	4.6	4.0	6.4	6.4	6.4	10.6
Akmenes	0.4	7.5	7.7	8.6	10.9	9.6	15.0
Joniskio	0.2	5.1	4.2	6.9	7.9	6.1	10.1
Kelmes	0.2	5.0	5.7	9.8	7.5	8.0	8.5
Pakruojo	0.2	4.0	2.8	3.6	3.8	4.3	6.4
Radviliskio	0.9	6.2	5.0	8.8	7.8	7.0	9.3
Jurbarko	0.5	7.2	5.8	8.4	10.0	7.9	11.1
Silales	0.2	11.7	8.6	9.3	7.1	5.7	5.6
Taurages	0.5	12.7	13.5	18.1	16.9	10.3	9.8
Mazeikiu	0.3	3.4	3.2	8.1	9.5	6.1	8.2
Plunges	0.2	1.9	1.3	3.3	3.3	3.3	6.1
Telsiu	0.6	5.0	4.1	10.6	9.2	5.2	6.8
Anyksciu	0.4	3.8	1.9	4.4	3.6	3.1	4.5
Ignalinos	0.4	7.8	4.8	6.4	9.5	10.5	9.3
Moletu	0.4	1.9	1.7	6.5	5.2	4.3	4.8
Utenos	0.5	7.3	6.7	6.6	7.0	5.9	7.6
Zarasu	0.8	6.9	6.3	8.9	8.0	6.9	6.0
Vilniaus	0.3	2.8	2.6	4.5	6.5	6.0	4.8
Salcininku	0.1	5.7	6.4	9.5	13.4	10.9	14.1
Sirvintu	0.3	5.1	4.0	6.9	8.6	9.4	9.0
Svencioniu	0.2	7.2	7.3	11.0	13.2	10.3	11.0
Traku	0.2	5.8	5.3	7.3	8.2	6.6	6.0
Ukmerges	0.5	6.6	4.6	8.5	10.1	8.8	9.4

Source: Labour Exchange information

Vocational Education and Training systems (Chapter 6)

Graph 6.1: Scheme of Consecutive VET System



Graph 6.2: Percentage of Young People Entering Vocational Schools, Colleges and Universities for the First Time

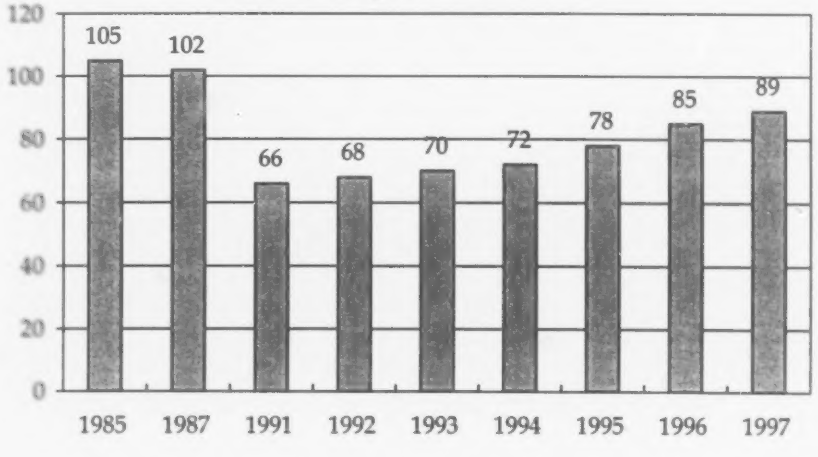


Table A 6.1: Budget expenditure on education affairs and services

	Total thous. litas			%, compared with national budget expenditure			%, compared with GDP		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
Pre-school education	179 603	246 549	321 803	2.9	3.3	3.7	0.75	0.78	0.84
Comprehensive schools	624 872	755 584	955 171	10.1	10.1	11.1	2.59	2.39	2.49
Boarding schools	75 907	97 824	121 042	1.2	1.3	1.4	0.32	0.31	0.32
Vocational schools	98 950	124 616	162 994	1.6	1.7	1.9	0.41	0.40	0.43
College schools	59 665	81 065	104 471	1.0	1.1	1.2	0.25	0.26	0.27
Higher schools	176 388	229 438	320 620	2.9	3.1	3.7	0.73	0.73	0.84
Support for non-state educational institutions	...	1 129	1 832	...	0.02	0.02	...	0.003	0.005
Training unemployed	16 400	20 800	24 950				0.07	0.07	0.07

Source: [28]

Table A 6.2: Students per teacher ratio (at the beginning of the academic year)

	number of students			number of teachers			students per teacher		
	1995/96	1996/97	1997/98	1995/96	1996/97	1997/98	1995/96	1996/97	1997/98
Full time comprehensive schools	528 521	540 650	554 575	48 164	48 925	49 460	11.0	11.1	11.2
Vocational schools	49 190	51 651	53 670	4 671	4 760	5 044	10.5	10.9	10.6
College type schools	24 214	26 492	30 329	3 941	4 007	4 292	6.1	6.6	7.1
Higher schools	53 968	58 776	67 068	8 749	9 129	9 214	6.2	6.4	7.3

Source: [28]

Table A 6.3: Number of studying young people as compared to a certain age group of the population

Age groups of population	Education levels by ISCED	% of studying compared to a certain age group of the population	
		1996	1997
7-10	Primary	96.7	98.7
11-15	Basic	90.9	93.4
16-18	Secondary	81.2	82.8
19-24	Higher	25.9	30.5
7-24	Total	69.5	72.8

Source: [28]

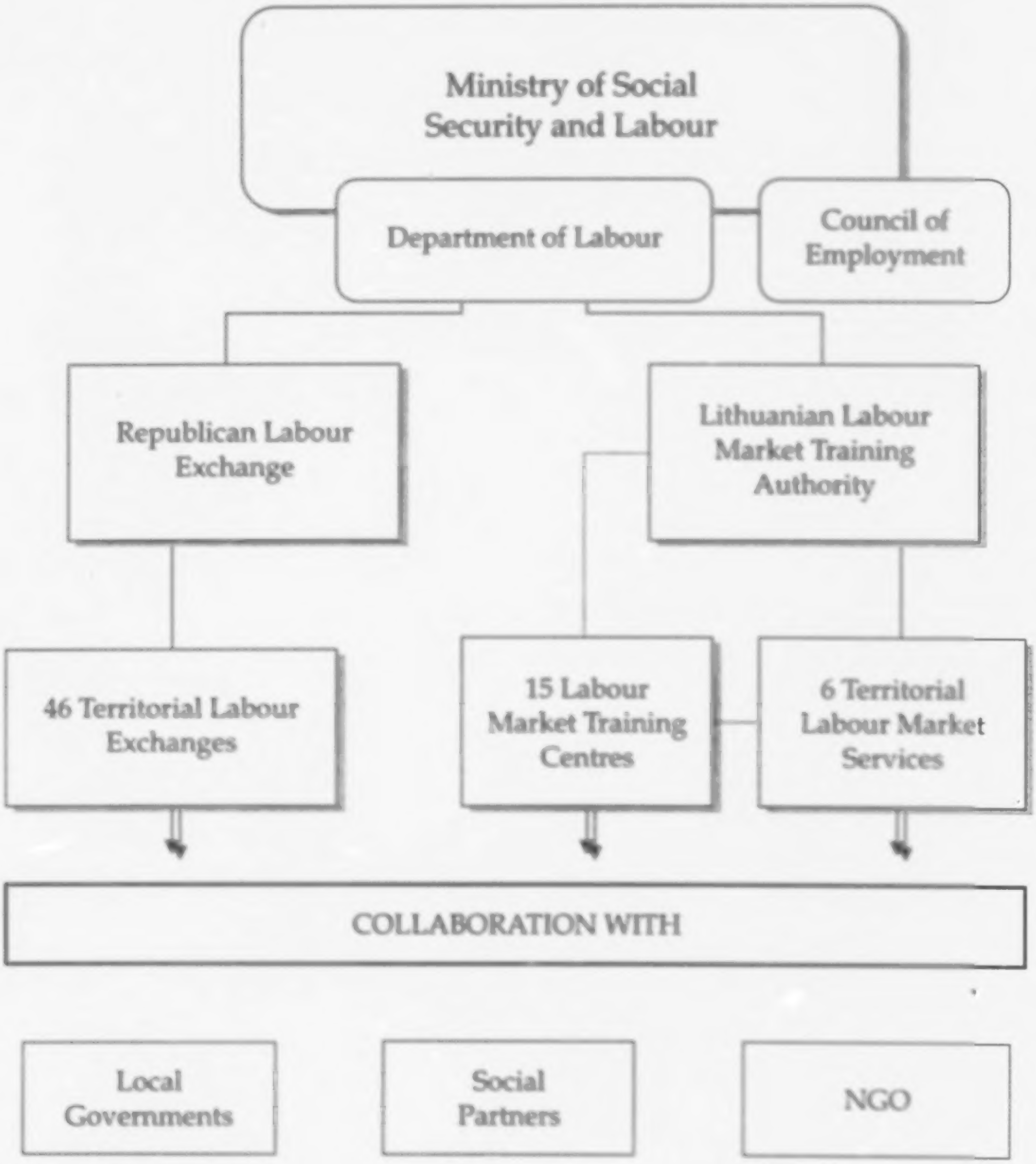
Table A 6.4: Training, re-training courses in vocational, high and higher schools

During academic year	Vocational schools	College type schools	Higher schools	Total
Number of courses listeners				
1992/93	2 127	1 663	...	...
1993/94	6 264	4 169	9 734	20 167
1994/95	8 005	3 616	9 337	20 958
1995/96	8 326	3 625	16 361	28 312
1996/97	6 839	3 462	16 297	26 598
Number of graduates				
1992/93	2 067	1 509	...	...
1993/94	5 993	4 027	7 868	17 888
1994/95	7 502	3 471	8 457	19 430
1995/96	8 158	3 521	11 186	22 865
1996/97	6 755	3 425	14 383	24 563

Source: [28]

Labour Market Institutions (Chapter 7)

Graph 7.1: Labour Market Institutions


Ministry of Social Security and Labour
Department of Labour
Council of Employment
Republican Labour Exchange
Lithuanian Labour Market Training Authority
46 Territorial Labour Exchanges
15 Labour Market Training Centres
6 Territorial Labour Market Services
COLLABORATION WITH
Local Governments
Social Partners
NGO

Labour Market Policies (Chapter 8)

Phases of Labour Market Policy Formation in Lithuania

Taking into account the peculiarities of a transitional period, economic capabilities of the country and the necessity to overcome a need for public care and fear of unemployment that existed among a part of population, the first phase of labour market development raised the following tasks reflecting the subject period for the labour market policy:

- To soften negative consequences of forced job loss by using social security policy measures;
- To provide persons who lost their jobs with a psychological help, vocational consultation; to mediate in finding a new job, especially for those, who, due to their personal peculiarities, need special assistance (e.g. the disabled persons; women with children under 7 years of age; persons who have returned from places of imprisonment, etc.); using economic and administrative measures, to limit non-motivated decrease of jobs (dismissal of employees).

A new Law on the Employment was passed on 13 of December 1990. On 1 of March 1991, the Labour Exchange of Lithuania started its operation and registered the first unemployed individuals. At the end of 1992, there was a mistake done in the development of social security policy measures, and it still influences the situation in the labour market. It was decided that the unemployed persons within working age might be entitled to social assistance (social benefits, compensation for municipal services, etc.) only in case they registered in the labour exchange. Hence, a lot of people appealed to the labour exchange who, in fact, did not search for a job and were not interested to take part in the active labour market policy measures, but wished to get a certain certificate. For this reason, the number of persons registered in the labour exchange highly increased during the first half of 1993.

Another specific feature of the first phase of labour market policy formation was an active attempt to restrict the dismissal of employees. As we have already mentioned, though no official unemployment existed in Lithuania until 1991, in reality, almost all enterprises had over-employment. On the other hand, production and the need for the employed highly decreased in the enterprises where products were oriented towards the market of the former USSR. Therefore, with the collapse of the USSR economic system and the start of privatisation, the employers began very actively to reduce the number of employees. At that time, social security system was only in the phase of formation and was unable to provide appropriate compensations for the population on the loss of income and fall of subsistence level due to the loss of job. Therefore, the attempts were made to restrict the dismissal of employees and increase the responsibility of employers. Employers were obligated to pay a dismissal benefit the maximal amount of which depended upon the working period in that enterprise and it could be 36 average monthly wages of the employee to be dismissed (very soon, a maximal dismissal benefit was reduced up to 18 wages and salaries).

Besides the economic measures, unemployment was restrained also by the administrative measures:

- When privatising enterprises, new owners had no right to reduce the number of jobs in that enterprise by more than 30% during the first year after privatisation of the enterprise;
- There was a provision that the managers of public stock companies were unable to reduce the number of employees employed not in the administration without approval of the founder, except the cases when employees violated labour laws. Later, this provision was changed, and it was allowed to reduce the number of employees in the way that the number of dismissed employees did not exceed 10% of the total number of employees per quarter.

Both economic as well as administrative measures of restraining dismissals were very unpopular among the employers. Many employers had not enough cash to be able to pay to the dismissed employees. So, people were not dismissed, but their working time was reduced (e.g. they worked 2 days per week) or they were forced to take unpaid vacations (for 2-3 months). In 1992 - 1993, during separate months the number of such persons reached 70 000 - 100 000. Though there were attempts made to secure jobs with the help of such measures, this, on the whole, had negative social economic consequences.

The second phase of labour market policy formation started to virtually change the relations between public institutions and employers. If during the first phase one tried to control the behaviour of employers in the labour market and force certain behaviour upon them, during the second phase the employer was considered as a partner. Labour exchange workers started to regularly visit employers, informed them about the situation in the labour market, discussed separate measures with them and talked about the employment of certain persons.

In improving the labour market policy measures, the main trend was to increase the interest of employers to employ new employees. The law provided for works financed from the Employment Fund when the employer, if he employed the unemployed individual of certain category (e.g. a disabled person) who was sent by the labour exchange, for 6 months might be compensated for his expenses in the amount of minimum monthly wage and social insurance contributions calculated as payable for the amount.

While improving legislation for regulating labour market, amendments to the Law on the Employment of the Population were passed in 1996, and the title of the law has been changed (into the Law on Support of the Unemployed). The main goal of improving legislation was to increase attractiveness and accessibility of the labour market policy measures. Persons who voluntarily terminated employment contracts were provided with a possibility to get the unemployment benefit which equalled state supported income (until that, they were entitled to the unemployment benefit only after 6 months from the day of registration in the labour exchange). In order to increase the attractiveness of vocational training, it was provided that the training allowance payable to the unemployed during the period of training made 1.3 of the received unemployment benefit. If the unemployed person was not entitled to the unemployment benefit, during the period of training he would be paid 1.3. of the minimal unemployment benefit. Possibilities for organising and financing public works were also expanded.

In 1996 - 1997 more and more attention was paid to the methods of psychological work with the unemployed individuals. There were Labour Clubs established in all labour exchanges. Individual employment plans were drawn up for the long-term unemployed. In order to improve the quality of provided services, the analysis of opinions of the unemployed individuals and employers about the services provided by labour exchange was started. Active work was done with the staff in the labour exchange (regularly organised training courses, seminars, study tours abroad, etc.) in order to improve their professional background and make their role in the local labour exchange more active.

The third phase of labour market policy formation started when economy in Lithuania reached certain stability. The GDP grew, the level of inflation decreased, the scale of industrial production and intensity of investments regularly increased. Although the territory of Lithuania is not large, a rather high differentiation of development level in separate areas came to light during the transformation in economy. According to the indicator "average monthly wage and salary", the best and the worst regions differ by more than 2.5 times (345 USD and 120 USD). If in some region 1100 USD of foreign capital is per one employed individual, in others - 0 USD (there are 6 of such regions). High differentiation is observed also according to other features. Therefore, it was decided also to differentiate labour market policy measures. In the territories where unemployment was high and economic activity was low, public works were allowed to be financed only from the Employment Fund (earlier, the Employment Fund reimbursed only 50% of expenditure for wages and salaries). Money from the Employment Fund to finance active labour market policy measures is distributed also in a differentiated manner.

Passive labour market measures

Other Social Protection Schemes

As we have mentioned there are not special payments for unemployed in Lithuania identified as unemployment assistance. They as other Lithuanian population may get different payments from social protection systems yet payments will not depend on the fact of being unemployed. Unemployed may get following payments from social protection system:

- extraordinary allowance after the child was born - payment is paid for mother (about 182 USD);
- family allowance - paid (monthly) for father or mother bringing up 1-3 year child (about 25 USD);
- social allowance - paid (monthly) for families having very low incomes for one family member (depending on the family member number it may comprise from 15 to 90 USD);
- allowance for families, bringing up 3 and more children - paid (monthly) for families having low incomes for one family member (about 31 USD);
- extraordinary allowance - allowance paid by special municipality decree in case person has extraordinary problems (fire, natural calamity, etc.);
- funeral allowance - extraordinary allowance paid for the relatives of the dead (from 93 to 279 USD).

Conclusions (Chapter 9)

Main Problems Regarding Unemployment Protection in Lithuania

Main problems regarding unemployment insurance in Lithuania came to light because unemployment protection and unemployment insurance systems were developed as one system without differentiation of their different goals and organisation principles. Such situation can be explained by the fact that this corresponded to the political situation existing at that time and capacities of economy. On the other hand, in 1990 - 1991, specialists working in this field lacked appropriate training and knowledge (know how). The experience from the Soviet period was absolutely inadaptable to the market economy, and new methods of administration of this sphere were under development yet. With the development of market relations in the country, social security policy and unemployment insurance were continuously improved. Imperfections and contradictions of the unemployment insurance system that existed in the country became more and more vivid.

Speaking about the problems in the unemployment insurance system that is in operation today, the independence of the Employment Fund should be mentioned first of all. As we have already mentioned, for already 5 years the Employment Fund has been receiving considerably fewer resources as it was foreseen at the beginning of the year. In this situation, active labour market policy measures suffer the most, and though the Government announces the priority of active labour market policy, only in 1998, expenditures on active measures exceeded expenditures on unemployment benefits by 4%.

Another problem is that some groups of the population insured by unemployment insurance have not been concretely defined yet. Territorial labour exchanges register quite many graduates from various types of school, but the issue on their payment of unemployment insurance contributions has not been solved yet. The same should be said about the persons employed in the systems of National Defence and the Ministry of Internal Affairs. According to the laws in force, they are insured by unemployment insurance from the state means, and are entitled to all benefits and services that are provided by the labour exchange system. But in reality, these groups of population do not participate in the building up of the Employment Fund, i.e. the state budget does not pay any money to the Employment Fund for them, though they receive all the benefits they are entitled to. The issue of unemployment insurance of farmers and self-employed persons has not been solved yet. At present these categories of the employed are not insured by unemployment insurance (they do not pay contributions), though according to the law they are provided with the labour exchange services.

The urgent problem is unemployment insurance and social guarantees to the persons who work in the enterprises where a bankruptcy procedure was started. It should be also mentioned that unemployment insurance of the persons engaged in seasonal works (construction, land reclamation, etc.) is still unsettled.

We have already mentioned that the amount of unemployment benefit does not depend upon wage or salary earned before the loss of job. This contradicts to the social insurance principles and does not follow the ILO recommendations and practice of many European countries. At the same time, it should be said that unemployment benefits in Lithuania are rather low and for already some years they have not made up 50% of minimal monthly wage (the average unemployment benefit in 1998 was about 47 USD).

Lithuania has no clearly defined unemployment assistance system. Social assistance to the unemployed individuals is implemented within the framework of general social assistance. Low subsistence level in our country is the basic reason for this, when a considerably large part of the employed and persons of retirement age fall among socially supported persons. Thus, low wage or salary (when the number of dependants is high) and low old age pension do not ensure the minimum income required for subsistence, therefore, those groups of the population, similarly to the unemployed persons, apply for social assistance. With increasing average wage and old age pensions, problems regarding social assistance to the unemployed individuals should be more notable. To our opinion, having no separate social assistance system for the unemployed is a common feature of transitional countries. When subsistence level is increasing, social problems of those who lost their jobs become more vivid and prerequisites are created to establish special unemployment assistance schemes.

At present, the rate of unemployment benefit is little differentiated according to social-demographic factors. Only for persons who are within 5 years of becoming eligible to receive old age benefit the payment of unemployment benefit is extended for 2 more months.

Benefits to the unemployed persons and social assistance are almost not differentiated according to social-economic characteristics of separate territories (e.g. average income of the population in separate territory, development level of economy (share of GDP), scope of investments, level of unemployment, nature of unemployment (e.g. structural unemployment), duration of unemployment, etc.). Having in mind the role of the EU Structural Funds and regional economy development priorities in future, insufficient differentiation of labour market policy measures according to the territorial principle reduces the possibilities to integrate the national labour market policy with the goals of using the Structural Funds resources very much. Here, we face another problem – having no regional policy in Lithuania.

It is important to stress that labour market policy is not integrated into the policy of national economy development. Only in 1999, a programme the aim of which is to co-ordinate the measures of economy development and labour market policy while increasing the employment of the population and softening negative unemployment consequences started to be implemented (with the help of experts from the Danish Labour Ministry). Until 1999, the governmental level was of the opinion that unemployment problems were only concern of the Ministry of Social Security and Labour. Similar attitudes prevailed also on the lower levels. Heads of the municipalities insisted that territorial labour exchange had to solve unemployment problems in their territories, and, to the opinion of many employers, unemployment problems are of the Government concern, and they have nothing to say on this issue. We may state that, until 1999, a conception of employment policy in Lithuania was narrowed to labour market policy measures implemented by the territorial labour exchanges, and these problems were paid not enough attention on the national level. The basic reason for such situation was the absence of the state budget in the financing of labour market policy measures. As we have already mentioned, all expenditures on labour market policy financing were covered by the Social Insurance Fund resources and, speaking more concretely, by the Employment Fund (financing of active and passive measures and maintenance of labour market administration institutions). Another reason for such situation is insufficient training of the administrative staff. Even until now one may hear some opinions in the administrative structures (on macro as well as micro levels) that it is not necessary to pay much attention to the solution of employment problems, the most important thing is to take care of investments and development of production. To the opinion of some politicians, if production grows, employment situation will improve, and unemployment and unemployment problems will decrease accordingly. Such positions in the administrative structures indicate that some politicians in our country understand the modern development of economy that distinguishes itself by job-less growth tendencies in a narrow way.

Thus, the growth of production and GDP not necessary causes increase in employment, and even vice versa, it may induce decrease of employment and aggravation of unemployment problems.

Summarising the information given in this chapter, we may say that there are quite many problems in unemployment protection system in Lithuania that, to our opinion, are characteristic of countries in transition. With increasing subsistence level in the country and improving labour market policy measures, many of the problems might be done away with and solved in a positive way.